AGREEMENT TO PROCESS CROWN ROYALTY BITUMEN

ALBERTA PETROLEUM MARKETING COMMISSION

and

NORTH WEST REDWATER PARTNERSHIP,
a partnership comprising
NORTH WEST UPGRADING INC.
and
CANADIAN NATURAL UPGRADING LIMITED

February 16, 2011

TABLE OF CONTENTS

1. INTERPRETATION 1
   1.1 Defined Terms 1
   1.2 Section References 14
   1.3 Schedules 14
   1.4 Entire Agreement 15
   1.5 Currency 15
   1.6 No Joint Venture or Partnership 15
   1.7 Limitation of Scope of Agency 15
   1.8 Replacement Indexes 16
   1.9 Miscellaneous 16
2. OVERVIEW AND PRINCIPLES 16
   2.1 Supply and Processing of Crown Royalty Bitumen 16
   2.2 Refined Products 16
   2.3 Financial Arrangement 17
   2.4 CNR Processing Agreement 17
   2.5 Alignment 17
   2.6 Transparency 19
   2.7 Ownership and Operation of the Facility 19
3. CROWN SUPPLY 19
   3.1 APMC Obligation 19
   3.2 Bitumen, Bitumen Blend and Conversion Factors 20
   3.3 Quality Parameters 20
   3.4 Custody Transfer 20
   3.5 Forecasting 21
   3.6 Designation of Crown Supply, Base Crown Supply and Excess Crown Supply 22
   3.7 Shortage in Delivered Crown Supply 22
   3.8 Ownership of Crown Supply 23
4. DESIGN OF FACILITY 23
   4.1 Performance Deposit 23
   4.2 Description of Facility 24
   4.3 Design Changes 25
   4.4 Project Timeline 25

5. PROJECT SANCTION 26
5.1 Definition of Project Sanction 26
5.2 Processor to Seek Project Sanction 26
5.3 Cost Estimates and Target Commercial Operation Date 26
5.4 Communication of Project Sanction 26
5.5 APMC Termination at Project Sanction 27
5.6 Procedure if Project Sanction Declined 28
5.7 Abandonment of Project 28
6. FINANCING 29
6.1 Financing Plan 29
6.2 Procedure for Amending Debt Financing Plan 29
6.3 APMC Approval of Debt Financing Plan at Project Sanction 29
6.4 APMC Approval of Debt Financing 30
6.5 If Project Not Financeable 30
6.6 If Project Not Financeable Within Threshold Interest Rate 30
6.7 Tripartite Agreements with Lender Agent 31
6.8 Prepayment of Debt Financing 32
6.9 Refinancing 33
7. CONSTRUCTION OF FACILITY 34
7.1 Construction and Commissioning 34
7.2 Permitting 34
7.3 APMC Access to Site 34
7.4 Commercial Operation Date 35
8. OPERATION OF FACILITY 35
8.1 Crown Capacity Entitlement 35
8.2 Product Selection 35
8.3 APMC Option on Diluent 36
8.4 APMC Access to Facility 36
8.5 Credit and Counterparty Risk 37
8.6 Management Remuneration 37
9. EQUALIZATION AND OPTIMIZATION OF SUPPLY 37
9.1 Equalization Relative to CNR Supply 37
9.2 Valuation for Equalization Purposes 38
9.3 Optimization of Feedstock 38

9.4 Consultation and Collaboration 38
9.5 Monthly Optimization Amount 39
9.6 Commingling 39
10. MARKETING OF REFINED PRODUCTS 39
10.1 Marketing Services 39
10.2 Marketing Decisions 39
10.3 Restrictions 39
10.4 Ownership of Refined Products 40
10.5 Performance Benchmarks 40
10.6 Failure to Meet Benchmarks 40
11. PROCEEDS FROM REFINED PRODUCTS 40
11.1 Establishment of Trust Account 40
11.2 Payment into Trust Account 41
11.3 Beneficiaries of Trust Account 41
11.4 Distribution from Trust Account 41
11.5 Modifications 41
11.6 Allocation of Proceeds 41
12. EXCESS CAPACITY 42
12.1 Processor Entitlement to Excess Capacity 42
12.2 Determination of Annual Onstream Factor 42
12.3 Monthly Onstream Factor 43
12.4 Defined Terms for Monthly Calculation of Excess Capacity Payment 44
12.5 Monthly Calculation of Excess Capacity Payment 46
12.6 Debottlenecking or Expansion 46
13. FEE FOR SERVICES 47
13.1 Charge for Services 47
13.2 Toll Commencement Date 47
13.3 Cost of Service Toll 47
13.4 Prior Capital Costs 47
13.5 Return on Equity and Return of Equity 48
13.6 Adjustment of Indexing 49
13.7 Adjustment of Initial Maximum Benchmark Operating Costs 50
13.8 No GST 51
14. PAYMENT 51

14.1 Monthly Statement of Net Amount Payable 51
14.2 Estimates and Adjustments 52
14.3 Payment of Net Amount Payable 52
14.4 Review by APMC 53
14.5 Forecasting of Net Amount Payable 53
14.6 Default Interest 53
14.7 Foreign Exchange 53
15. BEYOND END OF TERM 54
15.1 Evergreen Renewal Option 54
15.2 Sustaining Capital in Last Five Years 55
15.3 Assignment of Renewal Option 56
17. INSURANCE 57
17.1 Insurance Requirements 57
17.2 Waiver of Subrogation 57
17.3 Evidence of Insurance 57
17.4 APMC May Insure 57
17.5 Uninsurability 58
17.6 Use of Insurance Proceeds 58
17.7 APMC and CNR Difference of Opinion 58
17.8 Settlement of Claims 59
18. REPRESENTATIONS 59
18.1 Representations by Processor 59
18.2 Representations by APMC 60
19. OTHER OBLIGATIONS 60
19.1 Standard of Care 60
19.2 Reporting 60
19.3 Records, Audit and Inspection 62
19.4 Material Changes 62
19.5 Non-Arm's Length Transactions 62
20. INDEMNITIES 63
20.1 Indemnification by Processor 63
20.2 Indemnification by APMC 63
20.3 Conduct of Indemnified Claims 63
21. FORCE MAJEURE AND DISCRIMINATORY CHANGE OF LAW 65

21.1 Force Majeure Event Defined 65
21.2 Effect of Force Majeure Event 66
21.3 Procedure on Force Majeure Event 66
21.4 Discriminatory Change of Law 66
22. DEFAULT AND REMEDIES 67
22.1 Default Defined Terms 67
22.2 Limitation on Right to Claim Damages 69
22.3 Exclusion of Double Recovery 69
22.4 Security on Facility 69
22.5 Removal of Operator 70
22.6 Exclusion of Consequential Damages 72
23. TERMINATION 72
23.1 Exclusivity of Termination Provisions 72
23.2 Direct Lender Agreement 72
23.3 Termination by APMC 73
23.4 Termination by Processor 75
23.5 Termination upon Force Majeure 75
23.6 Procedure on Termination 75
23.7 Payment of Debt Component Beyond Termination 76
23.8 Survival of Obligations 76
24. COMMUNICATIONS 76
24.1 Notices 76
24.2 Authority to Give Notices 78
24.3 Public Announcements 78
24.4 Public Disclosure of Agreement 78
24.5 Confidential Information 79
25. CONTRACT ADMINISTRATION 80
25.1 Contract Administration Representative 80
25.2 Operating Protocols 80
26. DISPUTE RESOLUTION 81
26.1 Dispute Resolution Procedure 81
26.2 Exception 81
26.3 Termination and Dispute Resolution Procedure 81
26.4 No Court Proceedings 82

26.5 Payments where Amounts in Dispute 82
27. GENERAL PROVISIONS 82
27.1 Assignment by Processor 82
27.2 Subcontracting by Processor 83
27.3 Change of Control 83
27.4 Assignment by APMC 83
27.5 Applicable Law and Jurisdiction 84
27.6 Amendment and Waiver 84
27.7 Further Assurances 84
27.8 Counterpart Execution 84

AGREEMENT TO PROCESS CROWN ROYALTY BITUMEN

made the 16th day of February, 2011

BETWEEN:

ALBERTA PETROLEUM MARKETING COMMISSION, a body corporate incorporated by the *Petroleum Marketing Act* (Alberta) as an agent of the Crown in right of Alberta

("APMC")

AND:

NORTH WEST REDWATER PARTNERSHIP, a general partnership established under the laws of Alberta, by its partners **NORTH WEST UPGRADING INC.** and **CANADIAN NATURAL UPGRADING LIMITED**

(the "**Processor**")

PREAMBLE:

Pursuant to a Request for Proposals, APMC has selected the Processor to process an initial tranche of Crown royalty bitumen throughout a 30 year term. The Crown royalty bitumen will be used to produce refined products at a facility designed by and to be constructed and operated by the Processor in Alberta's "Industrial Heartland", all pursuant to the terms and conditions set out in this Agreement.

APMC and the Processor therefore agree as follows:

1. INTERPRETATION

1.1 Defined Terms

In this Agreement, the following expressions have the following meanings (and where applicable their plurals have corresponding meanings):

"**AFUDC**" or "Allowance for Funds Used During Construction" means an amount that is equal to a return on the amount of Facility Capital Costs incurred prior to the Toll Commencement Date, and the amount of the Debt Service Costs payable prior to the Toll Commencement Date, to the extent not funded by Debt Financing or interest received on any proceeds of Debt Financing, which return shall be the aggregate of the returns in each

Month prior to the Toll Commencement Date, calculated on the last Day of such Month, and determined as follows:

$$\left[(1 + 0.10)^{DIM/DIY} - 1\right] \times PFCC$$

where:

"DIM" means the number of Days in the Month;

"DIY" means the number of Days in the Year; and

"PFCC" means:

(i) the lesser of:

(A) the Facility Capital Costs incurred prior to the beginning of the Month (provided however that, for the purposes of this paragraph (A), the Facility Capital Costs as determined from time to time shall have deducted therefrom the amount of any contributions paid to the Processor pursuant to the CCS Grants (as defined in Schedule 10 – Cost of Service Toll) or any other government grants less any of such contributions that have been repaid by the Processor pursuant to the terms of the CCS Grants or other government grants); and

(B) all of:

(i) the financing raised for the Project raised prior to the beginning of the Month (for greater certainty, including interest income accrued on any such financing prior to the beginning of the Month); and

(ii) the return provided for under Section 13.4(b);

other than:

(iii) the Debt Financing raised prior to the beginning of the Month; and

(iv) interest income accrued on all financing raised for the Project after raising of any Debt Financing and accrued prior to the beginning of the Month;

and excluding the amount of any contributions paid to the Processor pursuant to the CCS Grants (as defined in Schedule 10 – Cost of Service Toll) or other government grants;

plus

(ii) the aggregate of the return calculated under the above formula for all prior Months;

and where the return (if any) under Section 13.4(b) shall be deemed to have been incurred on July 31, 2010 as Facility Capital Costs not funded by Debt Financing;

"**Aggregate Equalized Stream Value**" means, for a Month, the sum of:

(a) the Crown Stream Value for that Month; plus

(b) the CNR Stream Value for that Month;

"**Annual Onstream Factor**" means a factor that represents the estimated expected onstream operating time at the Facility in a Year, expressed as a percentage (that is less than 100%), determined for each Year in accordance with Section 12.2;

"**Applicable Laws**" means:

(a) applicable legislation and subordinate legislation of any kind enacted by federal, provincial or municipal authorities having jurisdiction in relation to the Processor or the Facility; and

(b) applicable regulations, directives, orders, decisions or rulings of any kind (including in relation to any applicable permit, licence or other authorization legally required in order to construct or operate the Facility) made by any governmental or regulatory authority having jurisdiction in relation to the Processor or the Facility;

"**Arm's-Length**" has the meaning ascribed to that expression (and correspondingly, to non arm's-length) in the *Income Tax Act* (Canada);

"**Available Bitumen Processing Capacity**" means, for any Month, the lesser of (i) the Design Capacity, multiplied by the number of Days in such Month, and (ii) the actual capacity of the Facility that was available in that Month to process Bitumen and Bitumen Blend;

"**Barrel**" means a volumetric quantity equal to 0.15892 cubic metres;

"**Base Crown Supply**" means that portion of the Crown Supply that is a volume of Bitumen Blend containing 37,500 BPD of Bitumen, as designated pursuant to Section 3.6;

"**Benchmark Operating Costs**" has the meaning ascribed in Schedule 10 – Cost of Service Toll;

"**Bitumen**" means "crude bitumen", as that expression is defined in the *Mines and Minerals Act* (Alberta);

"**Bitumen Blend**" means Bitumen that has been blended for transportation purposes with Diluent;

"**BPD**" means Barrels per Day;

"**BRIK Regulations**" means the regulation or regulations enacted by the Government of Alberta from time to time in respect of the taking of bitumen royalty in kind;

"**Business Day**" means a day other than a Saturday, Sunday or statutory holiday in Alberta;

"**CNR**" means Canadian Natural Resources, a general partnership established under the laws of Alberta, currently comprising as partners CNRL and CNR (Echo) Resources Inc. and Canadian Natural Resources 2005 Partnership, and includes permitted assigns under the CNR Processing Agreement;

"**CNR Processing Agreement**" means the agreement, in large measure paralleling this Agreement, between CNR and the Processor, as disclosed to APMC at the Execution Date;

"**CNR Stream Value**" means, for a Month, the aggregate of the Market Value Per Barrel of all of the Barrels of Bitumen Blend included in the CNR Supply in that Month;

"**CNR Supply**" means all Bitumen Blend to be supplied by CNR to the Processor, pursuant to the CNR Processing Agreement;

"**CNRL**" means Canadian Natural Resources Limited;

"**CNRL Backstop Commitment**" means the commitment, as represented by the Processor to APMC and on terms reflected in documentation provided by the Processor to APMC for review prior to the Execution Date, of CNRL to provide NWU with a bridge credit facility in the amount of $120 million and an overrun credit facility in respect of NWU's share of cost overruns for the Project;

"**CNRL Security**" means the security granted to CNRL by the Processor as security for the obligations of NWU under the agreements constituting the CNRL Backstop Commitment;

"**CNUL**" means Canadian Natural Upgrading Limited, a wholly owned subsidiary of CNRL, and includes permitted assigns;

"**Commercial Operation Date**" means the first Day of the Month immediately following the Month in which, for the first time, the Facility has for 30 consecutive Days (which may span more than one Month) received and processed into the products intended to be produced therefrom a quantity of Bitumen that is not less than 50% of the Design Capacity;

"**Common Equalized Stream**" means, for a Month, the aggregate of the Base Crown Supply and the CNR Supply delivered in that Month;

"**Crown**", or "**Government of Alberta**", means Her Majesty the Queen in right of Alberta;

"**Crown Capacity Entitlement**" means, for a Month, the lesser of (i) the capacity at the Facility to process a volume of Bitumen Blend containing 37,500 BPD of Bitumen, multiplied by the number of Days in the Month, and (ii) 75% of the Available Bitumen Processing Capacity for such Month;

"**Crown Royalty Bitumen**" means Bitumen received by APMC as agent for the Crown pursuant to the BRIK Regulations;

"**Crown Stream Value**" means, for a Month, the aggregate of the Market Value Per Barrel of all of the Barrels of Bitumen Blend included in the Base Crown Supply in that Month;

"**Crown Supply**" means the Bitumen Blend to be supplied by APMC to the Processor under this Agreement, as more particularly described in Section 3.1 and designated pursuant to Section 3.6, and includes where applicable Make-Up Crown Supply;

"**Custody Transfer Point**" means a point at which Bitumen Blend may be delivered into a Feeder Pipeline, and includes any other location expressly agreed upon between the Parties;

"**Day**" means a period of 24 hours commencing at 12:00 a.m.;

"**Debt Component**" means the component of the Monthly Cost of Service Toll that relates to the Debt Financing;

"**Debt Financing**" means all financing of the Facility Capital Costs and all financing of the Debt Service Costs (other than in respect of the Operating Line) accruing or payable

prior to the Toll Commencement Date, in each case through the issuance or incurrence of debt or other credit, whether raised through the sale or issuance of bonds or debentures or similar securities or other debt instruments or any other kind of lending, and includes credit facilities, derivatives in respect of interest rates and currency, letters of credit and letters of guarantee, as well as subordinated indebtedness (but, in the case of subordinated indebtedness, only to the extent expressly contemplated by and arranged in furtherance of the Debt Financing Plan); and includes, where the context permits, any refinancing thereof and further includes financing in respect of reserves required to be maintained in respect of any of the Debt Financing; but does not include the Operating Line;

"**Debt Financing Plan**" means the plan governing the Debt Financing for the Facility, as set out in Schedule 3 as amended from time to time;

"**Debt Service Costs**" means, in respect of any Debt Financing or an Operating Line, and a period of time, all amounts paid or payable in respect thereof that are attributable to such period of time (including interest, imputed interest and similar amounts under bankers' acceptances and other instruments issued at a discount, fees and reimbursement of costs of the lenders and their agents, trustees and other representatives and advisors and the cost of maintaining letters of credit and letters of guarantee, the costs of currency and interest rate hedges, upfront placement, arrangement and underwriting fees, standby and commitment fees, fees and expenses of ratings agencies, professional services fees and associated disbursements payable as required by providers of such financing, and costs of registering any security required to be registered by providers of the Debt Financing or an Operating Line) but excluding repayments of principal;

"**Design Capacity**" means, in relation to the Facility, the intended nameplate capacity of the Facility to process Bitumen Blend and Bitumen, as set out in Section 4.2;

"**Diluent**" means condensate, naphtha, synthetic crude oil or other hydrocarbon substance blended or intended to be blended with Bitumen for the purpose of reducing the density or viscosity of the resulting Bitumen Blend;

"**Direct Lender Agreement**" means the agreement contemplated by Section 6.7 governing various rights and remedies among the Parties and the Lender Agent;

"**Dispute Resolution Procedure**" means the procedure for resolving disputes set out in Schedule 12;

"**Equity**" means the financing for the Project other than the Debt Financing, which shall be the amount, expressed in dollars, equal to:

(a) the sum of the Facility Capital Costs plus the AFUDC, minus

(b) the proceeds from the Debt Financing used to pay the Facility Capital Costs;

"**Excess Capacity**" means actual capacity of the Facility, beyond the Design Capacity, to process Bitumen, as determined under Section 12.1;

"**Excess Crown Supply**" means Crown Supply (excluding Make-Up Crown Supply) other than the Base Crown Supply, as more particularly described and set out in Section 3.6;

"**Exchange Rate**" means, for any Day, the Bank of Canada Noon Day Rate, and means for any Month or Year, the average of the Bank of Canada Noon Day Rates for each of the Days in such Month or Year, as the case may be, in each case expressed in $Cdn./$U.S., as set out on the Bank of Canada's website;

"**Excluded Capital Costs**" means capital costs incurred by the Processor to the extent attributable to debottlenecking the Facility or increasing the capacity of the Facility, beyond what Good Engineering Practices would reasonably require for the Design Capacity, having regard for the design parameters described in Schedule 1;

"**Execution Date**" means the date when this Agreement and the Marketing Agreement have been duly executed by both Parties;

"**Facility**" means the bitumen refinery to be constructed by the Processor, as described in Schedule 1 – Description of the Facility;

"**Facility Capital Costs**" means the least of the following amounts:

(a) the Prior Capital Costs plus the sum, without duplication, of all costs incurred by NWU or the Processor in the design, development, procurement, installation, construction, testing and commissioning of the Facility from and including August 1, 2010 to the Commercial Operation Date, including in relation to:

(i) acquiring the rights to develop the Facility;

(ii) seeking and obtaining regulatory approvals for the Facility;

(iii) acquiring initial quantities of inventories, tank bottoms and line fill, including Bitumen, Bitumen Blend, oxygen, nitrogen, instrument air and other similar inputs and supplies, net of the proceeds from the sale of any of the foregoing prior to the Commercial Operation Date;

(iv) acquiring fluids consumed in the commissioning of the Facility prior to the Commercial Operation Date;

(v) foreign exchange costs;

(vi) insurance costs;

(vii) personnel costs (which, in relation to employees and individual contractors of the Processor and parties not at Arm's-Length to the Processor, are subject to the same restrictions regarding amounts on account of stock options or issued shares as apply to Benchmark Labour Costs under Schedule 10 – Cost of Service Toll);

(viii) utilities;

(ix) IT and communications; and

(x) head office, general and administrative and overhead costs;

but excluding AFUDC and Excluded Capital Costs, and less any proceeds of insurance received by the Processor or NWU in relation to any of the foregoing;

(b) $6.5 billion; and

(c) the estimate delivered under Section 5.3 or, in the event that the Processor fails to deliver an estimate pursuant to Section 5.3, an amount equal to the estimate that the Processor ought reasonably to have delivered based on knowledge available to it at the time of seeking Project Sanction, in either event multiplied by 1.3;

"**Facility Delivery Point**" means a point of interconnection between a Feeder Pipeline and the facilities owned by the Processor at or near the plant gate of the Facility;

"**Fair Market Value**" means the cash consideration that is or would be payable for the purchase of particular services, goods or materials, including Bitumen, Bitumen Blend and Refined Products, for non-deferred delivery at a specified local location, where the purchaser and seller are at Arm's Length and such cash consideration is the only consideration that would be received by the seller;

"**Feeder Pipeline**" means a pipeline into which the Crown Supply may be delivered and which connects, directly or indirectly, with a Facility Delivery Point;

"**Feedstock**" means Bitumen Blend and other forms of crude oil or hydrocarbons that may be processed into Refined Products at the Facility;

"**Force Majeure Event**" has the meaning set out in Section 21.1;

"**GDP Deflator**" means the measure of change in prices of all new domestic goods and services over the course of a specific time period which allows gross domestic product ("**GDP**"), defined as the total unduplicated value of the goods and services produced in the economic territory of a country or region during a given time period, to be compared to other time periods in constant dollars, expressed as a ratio of nominal GDP to real

GDP (as more particularly detailed in the Statistics Canada Table 30, Implicit chain price indexes, gross domestic product, of Publication 13-019-X, which provides seasonally adjusted data on GDP);

"**Good Engineering Practices**" means practices, methods and activities adopted by a significant portion of reputable designers and engineers engaged in the North American Bitumen processing and refining industry as good practices, as applicable to the Facility and in light of Applicable Laws and the Processor's obligation to operate in accordance with Good Industry Practices;

"**Good Industry Practices**" means practices, methods and activities adopted by a significant portion of the North American Bitumen processing and refining industry as good practices applicable to facilities similar to the Facility; and for greater certainty are not intended to be limited to optimal practices, methods or activities to the exclusion of all others, but rather to be practices, methods or activities generally accepted in the North American Bitumen processing and refining industry;

"**GST**" means the goods and services tax or a harmonized sales tax under Part IX of the *Excise Tax Act* (Canada) or any similar or successor legislation by the Government of Canada;

"**Initial Maximum Benchmark Operating Costs**" has the meaning ascribed in Schedule 10 – Cost of Service Toll;

"**Lender Agent**" means the representative of some or all providers of the Debt Financing, whether a trustee pursuant to a trust indenture or otherwise, for purposes of the Direct Lender Agreement and the Trust Agreement;

"**Make-Up Crown Supply**" means Feedstock acquired by the Processor on behalf of APMC pursuant to Section 3.7 in the event that APMC fails to supply the amount of Base Crown Supply required by Section 3.1;

"**Market Value Per Barrel**" means, in respect of a volume of Bitumen Blend or Feedstock, the market value of that volume of Bitumen Blend or Feedstock, on a per Barrel basis, in Edmonton, determined in accordance with Schedule 7 – Feedstock Valuation;

"**Marketing Agreement**" means the "Agreement to Market Crown Royalty Bitumen", entered into between the Parties to this Agreement on the same date as this Agreement, governing the marketing and sale of the Excess Crown Supply;

"**Month**" means a calendar month, and "**Monthly**" has a corresponding meaning;

"**Monthly Aggregate Revenues**" means, for a Month:

(a) the aggregate of the revenues (net of GST) from the sale of Monthly Refined Products in the Month; plus

(b) the aggregate of the Allocated GHG Revenues in the Month (as defined below);

less any applicable rebates, deductions, set-offs, or other amounts payable to, or deductible by, the purchaser of such Monthly Refined Products or Processor GHG Credits (as defined below) in respect of such Month;

where:

"**Allocated GHG Revenues**" means, for a Month, 50% of the positive amount (if any) of:

(i) the quantity of GHG Credits (as defined below), in tonnes, sold by the Processor in the Month; multiplied by

(ii) the result of:

(A) the weighted average price per tonne received by the Processor from the sale of GHG Credits in the Month; minus

(B) the GHG Credit Floor Price (as defined below);

"**Processor GHG Credits**" means GHG Credits that have been allocated to and sold by the Processor for consideration, net of any GHG Credits used by the Processor to offset liabilities related to the emission of carbon dioxide or greenhouse gases;

"**GHG Credits**" means all gross or net carbon dioxide or greenhouse gas emission reduction, sequestration, capture credits and other similar credits or benefits, which credits permit the holder thereof to emit carbon dioxide or greenhouse gases, to emit carbon dioxide or greenhouse gases without penalty or to emit carbon dioxide or greenhouse gases at a reduced cost, which credits may be created by reducing or eliminating carbon dioxide or greenhouse gas emissions from an existing source, by destroying or rendering harmless carbon dioxide or greenhouse gases through a chemical process, or by removing carbon dioxide or greenhouse gases from the atmosphere or prior to its release to the atmosphere by injecting or storing the carbon dioxide or greenhouse gases in some other form or physical medium, in each instance, created or existing as a result of the production, compression, transportation and/or delivery of the carbon dioxide or greenhouse gases produced at the Facility;

"**GHG Credit Floor Price**" means:

(i) for the Years prior to 2015, $15 per tonne; and

(ii) for 2015 and subsequent Years, the GHG Credit Floor Price in the prior Year, escalated by the rate of escalation indicated by the GDP Deflator;

"**Monthly Cost of Service Toll**" means the Monthly fee for services provided by the Processor under this Agreement, determined in accordance with Schedule 10 – Cost of Service Toll;

"**Monthly Equalization Amount**" means the amount determined pursuant to Section 9.1;

"**Monthly Feedstock Acquisition Costs**" means, for a Month, the aggregate costs and expenses incurred by the Processor in acquiring Feedstock in the course of the optimization activities undertaken pursuant to Section 9.3 in the Month, plus any costs and expenses incurred by the Processor for the transportation, terminalling, trimming and handling of such Feedstock upstream of the applicable Facility Delivery Points;

"**Monthly Feedstock Sales Proceeds**" means, for a Month, the aggregate proceeds received or receivable by the Processor from selling Feedstock in the course of the optimization activities undertaken pursuant to section 9.3 in the Month, less any costs and expenses incurred by the Processor for the transportation, terminalling, trimming and handling of such Feedstock upstream of the applicable Facility Delivery Points;

"**Monthly Operating Component**" has the meaning ascribed to it in Schedule 10 – Cost of Service Toll;

"**Monthly Optimization Amount**" means the amount determined pursuant to Section 9.5;

"**Monthly Optimized Supply**" means, for a Month, the total volume of Optimized Supply in that Month;

"**Monthly Refined Products**" means, for a Month, all Refined Products sold by the Processor in that Month (including Refined Products sold to APMC and CNR);

"**Monthly Statement**" means the statement required to be delivered by the Processor to APMC pursuant to Section 14.1;

"**Non-Arm's Length Transaction**" means a transaction (other than the CNR Processing Agreement) between the Processor and a person or persons (other than APMC) with whom the Processor is not dealing at Arm's Length; provided that where a particular contract contemplates a series of dealings under it, all transacted on the basis of a common methodology for determining a price or consideration, then only the contract, and not each of the series of dealings under it, shall be construed as constituting a transaction for the purposes of this provision;

"**NWU**" means North West Upgrading Inc., and includes permitted assigns;

"**NWU Proposal**" means the confidential proposal submitted by NWU in response to the "Request for Proposals – Processing of Crown Royalty Bitumen" issued by the Crown in final form on October 19, 2009;

"**Operating Line**" means any and all credit facilities established by the Processor from time to time to fund the payment of costs and expenses, including capital costs related to the Facility, including arrangements for the issuance of letters of credit and similar guarantees, but excluding the Debt Financing and, for greater certainty, excluding credit facilities and letters of credit established to provide for the backstopping of reserve obligations and other similar obligations under the Debt Financing;

"**Optimized Stream Value**" means, for a Month, the amount equal to:

(a) the Aggregate Equalized Stream Value for that Month; plus

(b) the Monthly Feedstock Acquisition Cost for that Month; minus

(c) the Monthly Feedstock Sales Proceeds for that Month;

"**Optimized Supply**" means the Feedstock (expressed as a quantity of Barrels) received at the Facility Delivery Points, as more particularly described in Section 9.3;

"**Original Term**" means the Term excluding any Renewal Term;

"**Party**" means APMC or the Processor, and includes their respective successors and permitted assigns;

"**Pre-Sanction Engineering Design**" has the meaning ascribed to it by Section 4.1;

"**Prior Capital Costs**" means the agreed upon value to the Project of capital expenditures by NWU or the Processor in the planning, design and development of the Project to and including July 31, 2010, as set out in Section 13.4;

"**Project**" means the construction of the Facility;

"**Project Sanction**" means the formal decision by the Processor to proceed with the Project, as more particularly defined in Section 5.1;

"**Refined Products**" means products produced by the Facility in the course of upgrading or refining the Optimized Supply, including:

(a) any stream of pure or relatively pure carbon dioxide produced by the Facility; and

(b) recovered Diluent;

"**Renewal Term**" means a term of this Agreement beyond the Original Term, as more particularly described in Section 15.1;

"**Target Commercial Operation Date**" means the first Day of the Month that is the later of:

(a) 31 Months after the Month in which Project Sanction occurs; and

(b) the Processor's estimate under Section 5.3(c);

"**Taxes**" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any governmental authority, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits), windfall profits taxes, gross receipts taxes, withholding or similar taxes, branch taxes, net worth taxes, surtaxes, production taxes, sales taxes, use taxes, *ad valorem* taxes, value added taxes, excise taxes, goods and services tax, harmonized sales tax, capital taxes, stamp taxes, occupation taxes, premium taxes, property taxes, land transfer taxes, mining taxes, environmental taxes, franchise taxes, licence taxes, health taxes, payroll taxes, employment taxes, severance taxes, social security premiums, employment insurance or compensation premiums, Canada Pension Plan premiums, workers' compensation premiums, mandatory pension and other social fund taxes or premiums, alternative or add-on minimum taxes, custom duties or other governmental taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind whatsoever imposed by any governmental authority, in each case including any interest charges thereon imposed by the applicable government authority;

"**Term**" means the period commencing upon the Toll Commencement Date and extending 360 Months from the Toll Commencement Date, together with any Renewal Term;

"**Toll Commencement Date**" means the earlier of:

(a) the Commercial Operation Date; and

(b) the date that is 18 Months after the Target Commercial Operation Date;

"**Trust Account**" means the trust account contemplated by Section 11.1;

"**Trust Agreement**" means the agreement contemplated by Section 6.7 governing distribution of cash from the Trust Account;

"**Weighted Average Acquisition Cost**" means, for a Month, the amount, per Barrel, equal to:

(a) Monthly Feedstock Acquisition Costs for that Month; divided by

(b) the volume, in Barrels, of the Feedstock acquired by the Processor in the course of the optimization activities undertaken pursuant to Section 9.3 in that Month; and

"**Year**" means a calendar year; provided however that the first Year shall commence on the Toll Commencement Date and end at the end of the immediately following December 31st and the last Year shall commence at the start of January 1st immediately preceding the end of the Term and end at the end of the Term; and "**Yearly**" has a corresponding meaning.

1.2 Section References

References in this Agreement to Sections of this Agreement are to the correspondingly numbered provisions of this Agreement. References to Schedules are to the correspondingly numbered Schedules listed in Section 1.3.

1.3 Schedules

The following Schedules attached to or delivered with this Agreement at the time of execution of this Agreement are for every purpose to be considered as part of this Agreement (and provisions of the Schedules are to be considered as provisions of this Agreement):

Schedule 1	-	**Description of the Facility**
Schedule 2	-	**Project Timeline**
Schedule 3	-	**Debt Financing Plan**
Schedule 4	-	**Proposed Form of Trust Agreement**
Schedule 5	-	**Proposed Form of Direct Lender Agreement**
Schedule 6	-	**Feedstock Requirements**
Schedule 7	-	**Feedstock Valuation**
Schedule 8	-	**Refined Products**
Schedule 9	-	**Performance Benchmarks – Marketing of Refined Products**
Schedule 10	-	**Cost of Service Toll**

Schedule 11 - Insurance Requirements

Schedule 12 - Dispute Resolution Procedure

Schedule 13 - Example Calculations

In the event of any conflict or inconsistency between the provisions in the body of this Agreement (which for the purpose of this provision shall be deemed to include the provisions of Schedule 10) and the provisions of any Schedule (other than Schedule 10), the provisions in the body of this Agreement shall govern.

Where any Schedule has been amended pursuant to any provision of this Agreement, the Party that initiated the amendment or the course of action that resulted in the amendment shall as soon as practicable after the amendment comes into effect prepare a restated Schedule reflecting the amendment and deliver it to the other Party.

1.4 Entire Agreement

This Agreement, read together with the Marketing Agreement governing the marketing of the Excess Crown Supply, is the entire agreement between APMC and the Processor regarding the subject matter of this Agreement, and supersedes any previous agreements, negotiations and understandings. Except for the representations expressly set out in Sections 18.1 or 18.2 or elsewhere in this Agreement, neither Party shall be entitled to rely for any purpose on any representation or warranty made by the other in relation to this Agreement or any negotiations leading up to it, including in relation to the NWU Proposal or the Request for Proposals process to which the NWU Proposal responded.

1.5 Currency

In this Agreement, all references to dollar amounts are in Canadian currency unless expressly stated to be otherwise.

1.6 No Joint Venture or Partnership

No relationship of joint venture or partnership between the Parties is intended by this Agreement, and neither Party shall allege or assert for any purpose that this Agreement constitutes or creates a relationship of joint venture or partnership between the Parties.

1.7 Limitation of Scope of Agency

The Parties acknowledge and agree that this Agreement is fundamentally a contract for services, coupled with the establishment for certain express purposes of a relationship of agency, pursuant to which the Processor will carry out certain actions and functions expressly as the agent of APMC. Such relationship of agency, and the authority of the Processor as agent to act on behalf

of APMC, is limited to such expressly set out actions and functions, and such ancillary and incidental actions and functions as are necessary to the carrying out of the expressly set out agency actions and functions or otherwise follow by necessary implication; and the Processor shall have no general or residual authority to act as, or to hold itself out as having authority to act as, an agent of APMC, and shall not claim any immunities or privileges of the Crown.

1.8 Replacement Indexes

Where under this Agreement a price, cost or other amount is determined by reference to an index, posting, reference price or similar marker (collectively in this Section 1.8 an "**Index**"), and that Index (a) ceases to exist, (b) is determined on a basis that is different than it was determined as of the Execution Date, or (c) no longer reflects, measures or represents what it was intended to reflect, measure or represent, the Parties shall endeavour to agree upon a replacement for the Index, failing which the matter shall be referred to the Dispute Resolution Procedure, with full authority thereunder to determine a replacement for the Index with a view to ensuring that the price, cost or other amount is determined on a basis consistent with the Parties' intentions as of the Execution Date.

1.9 Miscellaneous

In this Agreement:

(a) reference to any agreement or instrument means such agreement or instrument as amended or replaced from time to time;

(b) reference to any statute or regulation means such statute or regulation as amended or replaced from time to time;

(c) "includes" or "including" means without limiting the generality of any preceding description; and

(d) references to time are to local time in Edmonton, Alberta.

2. OVERVIEW AND PRINCIPLES

2.1 Supply and Processing of Crown Royalty Bitumen

APMC will supply Bitumen Blend, as more particularly contemplated by Section 3, to the Facility to be designed by the Processor in accordance with Section 4, sanctioned by the Processor in accordance with Section 5, financed by the Processor in accordance with Section 6, constructed by the Processor in accordance with Section 7, and operated by the Processor in accordance with Section 8.

2.2 Refined Products

The Refined Products produced by the Facility from processing the Optimized Supply will be

marketed by the Processor as set out in Section 10.

2.3 Financial Arrangement

In consideration of the processing of the Base Crown Supply and the marketing of the Refined Products, APMC will be obligated to pay a Monthly Cost of Service Toll as set out in Section 13, which Monthly Cost of Service Toll (together with all other amounts payable by APMC under this Agreement) shall be set off, in whole or in part as the case may be, against APMC's share of revenues from the sale of Refined Products, as more particularly set out in Section 14 (and any shortfall shall be paid by APMC in accordance with Section 14.3).

2.4 CNR Processing Agreement

This Agreement shall be conditional on the due execution, in parallel to and concurrently with this Agreement, of the CNR Processing Agreement, in a form that has been found satisfactory by APMC, governing the delivery, optimization and processing of the CNR Supply and the sale of Refined Products produced therefrom; provided that the execution and delivery of this Agreement by APMC shall constitute conclusive evidence of the satisfaction of such condition. The Processor represents and warrants to APMC that the CNR Processing Agreement is the entire agreement between the parties thereto governing the subject matter of that agreement, and that the Processor has not entered into any supplementary or collateral agreements in respect of that particular subject matter; provided however that APMC acknowledges that CNR, CNRL and CNUL are parties to certain agreements with NWU or the Processor governing obligations distinct from the delivery, optimization and processing of the CNR Supply, including (i) a Partnership Agreement and related agreements and documents governing the organization and management of the Processor, (ii) the CNRL Backstop Commitment and related agreements and documents, including the CNRL Security, and (iii) agreements governing the sale of Refined Products to CNR. APMC acknowledges that certain provisions in this Agreement (including Sections 4.1, 5.5, 5.6, 5.7, 6.3, 6.6 and 17.7 and Schedule 11) differ from the corresponding provisions of the CNR Processing Agreement.

The Processor shall immediately advise APMC of any amendment to, or any waiver that is material in the context of this Agreement (with such materiality to be reasonably assessed in light of differences between this Agreement and the CNR Processing Agreement, including the differences noted above), of any provisions of the CNR Processing Agreement or any supplementary or collateral agreement entered into with CNR in relation to the delivery, optimization and processing of the CNR Supply and the sale of Refined Products produced therefrom. In that event the Processor shall immediately offer, and shall be deemed to have offered, to enter into with APMC an amending agreement or supplementary or collateral agreement, as the case may be, to similar effect, to the extent required to preserve and maintain the alignment of interests as among the Parties and CNR achieved by the CNR Processing Agreement and this Agreement as of the Execution Date.

2.5 Alignment

Fundamental to the business relationship constituted by this Agreement is the principle of

alignment of interests as between the Processor and APMC in operating the Facility with a view to optimizing the profitable operation of the Facility throughout the Term. Further, the Parties intend that the interests of APMC in relation to the Base Crown Supply and the Facility will be in alignment with the corresponding interests of CNR in relation to the CNR Supply and the Facility. Accordingly, the Processor shall:

(a) design, construct and operate the Facility with a view to optimizing the profitable operation of the Facility, subject to its obligations under this Agreement and Applicable Laws, and will not compromise that objective in furtherance of earning revenues allocated to the Excess Capacity of the Facility; and

(b) avoid conflicts of interest of any kind or nature whatsoever that would undermine the alignment of interests as between the Processor and APMC in relation to the Facility, provided that none of the following shall be construed as constituting a conflict of interest of that nature:

(i) any transactions, arrangements or agreements expressly contemplated by this Agreement (including the Phase 2 contemplated by Section 16) or the Marketing Agreement or the CNR Processing Agreement;

(ii) the documents governing the CNR Backstop Commitment and the CNRL Security;

(iii) any Non-Arm's Length Transaction that is at Fair Market Value;

(iv) arrangements between the Processor and an operator of the Facility, any partner comprising the Processor, or an affiliate of any such partner, in connection with the provision of goods and services the costs of which are, under Schedule 10, Benchmark Operating Costs as defined therein; and

(v) any transaction, arrangement or agreement where the Processor has established, and APMC has approved, acting reasonably (and acting within 60 days of receiving reasonably complete information regarding the proposed transaction, arrangement or agreement and the proposed safeguards, failing which such approval shall be deemed to have been given), safeguards are in place adequate to maintain alignment between the interests of the Processor and APMC in relation to the Facility;

and provided that this clause (b) shall apply only to the Processor and, for so long as the Processor is a partnership, to the partners comprising the Processor, and shall not apply to transactions, arrangements or agreements entered into, or actions taken by, persons holding an ownership interest in any of such partners or an ownership interest in the Processor other than by being a partner comprising the Processor.

2.6 Transparency

Fundamental to the business relationship constituted by this Agreement is the principle that the design, construction, financing (other than by Equity) and operation of the Facility by the Processor will in all respects be fully transparent to APMC. To that end, APMC shall be entitled to receive notice of and to attend at, but not to exercise a vote or any other decision-making role in relation to all meetings of any management committee (however named) of the Processor, both during the construction of the Facility and thereafter throughout the Term, at which the design, construction, financing (other than by Equity) or operation of the Facility will form a material part of the agenda.

2.7 Ownership and Operation of the Facility

The Parties mutually acknowledge that the Facility shall be owned and operated by the Processor and not by APMC, and further agree as follows:

(a) except for any rights under any express provision of this Agreement, APMC shall not have any right to control or direct, or to participate in the control or direction of, the design, construction or operation of the Facility; and

(b) except as reflected in the Monthly Cost of Service Toll and any other payment obligation on the part of APMC under any provision of this Agreement, (i) APMC shall have no obligation to pay or reimburse costs or expenses incurred by or on behalf of the Processor in relation to the design, construction, financing or operation of the Facility, and (ii) risks arising from the ownership and operation of the Facility are the responsibility of the Processor and not APMC.

3. CROWN SUPPLY

3.1 APMC Obligation

APMC shall be obligated, during each Month from and including January 2013 until the end of the Term, to supply to the Processor, at one or more Custody Transfer Points, a minimum daily average quantity of Bitumen Blend in the Month (on a rateable basis) that contains 37,500 BPD of Bitumen (being the "**Base Crown Supply**"), together with such further Crown Royalty Bitumen as can reasonably be available at a Custody Transfer Point or a Facility Delivery Point, to a maximum annual average of Bitumen Blend that contains approximately 75,000 BPD, subject to the following:

(a) in the event of termination or expiry of the Marketing Agreement, the supply obligation shall thereafter be limited to the Base Crown Supply; and

(b) having regard to operational realities and forecasting uncertainties, the above maximum of Bitumen Blend that contains on average approximately 75,000 BPD of Bitumen shall mean a cap of a quantity of Bitumen Blend that contains 80,000 BPD of

Bitumen on average for any Month, which cap shall not be exceeded by APMC in any Month.

Bitumen Blend supplied by APMC pursuant to the above obligations, including any Make-Up Crown Supply pursuant to Section 3.7, constitutes the "**Crown Supply**".

3.2 Bitumen, Bitumen Blend and Conversion Factors

The Processor will be responsible to confirm and for all purposes keep track of the amount of Bitumen delivered in Bitumen Blend. Volumetric quantities of Bitumen or Bitumen Blend will be expressed in terms of cubic metres where it is industry practice to do so.

Measurements of quantities undertaken by Arm's Length parties, including buyers, sellers, transporters and other handlers of the Crown Supply, the Optimized Supply and Refined Products, shall be applied for the purposes of this Agreement absent manifest error (subject to any measurement reconciliations and adjustments under the agreements with such parties). Measurements of quantities undertaken by or on behalf of the Processor shall be carried out in accordance with Good Industry Practices.

3.3 Quality Parameters

APMC shall ensure that all Crown Supply meets the quality parameters set out in Schedule 6 – Feedstock Requirements. In the event that any Crown Supply fails to meet such quality parameters, the Processor shall deal with the Crown Supply in a commercially reasonable manner with a view to mitigating the consequences thereof, and all losses, damages, costs and expenses arising from such failure shall be for the account of APMC and reflected in the applicable Monthly Statement.

3.4 Custody Transfer

APMC shall deliver the Crown Supply to the Processor at a Custody Transfer Point, and the Processor shall accept custody of the Crown Supply so delivered, subject to and in accordance with the following:

(a) subject to availability of capacity on the applicable Feeder Pipeline, and subject to the tariffs and rules applicable to transportation on the Feeder Pipeline, the Processor shall be responsible for transportation of the Crown Supply on the Feeder Pipeline; provided that the Processor may sell, trade or exchange the Crown Supply prior to delivery to the Facility Delivery Point either:

(i) as part of the optimization contemplated by Section 9.3; or

(ii) as part of the marketing, pursuant to the Marketing Agreement, of Crown Supply other than the Base Crown Supply;

(b) the Processor shall enter into such agreements and arrangements as are necessary or desirable for the undertaking of the transportation contemplated in clause (a) and, to the extent it has received information required to be obtained from APMC, shall manage such arrangements and provide all necessary nominations, notices and elections;

(c) the Parties shall cooperate reasonably to ensure that, to the extent APMC has or can reasonably obtain such information from producers, all information required by Feeder Pipelines is made available to the Processor on a timely basis, including as required by third parties for the purposes of their nomination requirements;

(d) APMC shall pay to the producer or the owner of the Feeder Pipelines, as applicable, all costs and expenses incurred in connection with the transportation of the Crown Supply from the Custody Transfer Point to the applicable Facility Delivery Point; and APMC shall provide any financial assurance that may be required in connection with such transportation;

(e) APMC warrants that the Processor shall, whether by the BRIK Regulations or otherwise, be entitled to transport the Crown Supply as contemplated by this Section 3.4. APMC shall provide such assistance, information and cooperation as the Processor may reasonably require in order for the Processor to arrange such transportation. To the extent the Processor is not entitled to transport the Crown Supply as contemplated by this Section 3.4, the Processor shall be relieved of its obligations under this Section 3.4, and to that extent the Crown Supply shall be deemed not to have been delivered to the Processor; and

(f) APMC warrants that good and valid title to the Crown Supply and the Crown's share of Optimized Supply (including both the Bitumen and the Diluent contained therein) will pass to any buyer or transferee thereof from the Processor, free and clear of any liens or encumbrances.

3.5 Forecasting

APMC shall provide the Processor with forecast information regarding the Crown Supply in accordance with the following:

(a) commencing in 2012, as soon as practicable following operators' annual forecast information being available to APMC, but not later than the 15th Day of December in each Year, APMC shall provide a forecast of the Crown Supply it intends to supply in each Month of the next Year, including:

(i) the streams of Bitumen Blend and the respective applicable Custody Transfer Points and Feeder Pipelines; and

(ii) the forecasted quantities of Bitumen and Bitumen Blend in each stream, expressed both on a daily basis and a Monthly aggregate;

(b) commencing in December 2012, not later than the fourth Day of each Month, APMC shall provide a forecast of the Crown Supply it intends to supply in each of the next three Months, including:

(i) the streams of Bitumen Blend and the respective applicable Custody Transfer Points and Feeder Pipelines; and

(ii) the forecasted quantities of Bitumen and Bitumen Blend in each stream, expressed both on a daily basis and a Monthly aggregate;

(c) if at any time APMC becomes aware that a forecast provided pursuant to clause (a) or clause (b) is likely to be materially inaccurate, APMC shall provide an updated forecast reflecting the then best available information; and

(d) all forecast information to be provided by APMC under this Section 3.5 shall be provided in good faith based on the best available information, but otherwise (and subject to the inclusion in the Monthly Cost of Service Toll of all costs and charges allowed by Schedule 10) on a no recourse and no liability basis.

3.6 Designation of Crown Supply, Base Crown Supply and Excess Crown Supply

APMC shall, at least 25 Days prior to each Month, deliver to the Processor a designation of the Crown Supply to be delivered at each Custody Transfer Point in that upcoming Month.

As soon as practicable following the delivery of each Monthly forecast required by Section 3.5(b), the Parties shall endeavour to determine for the upcoming Month which volumes of the Crown Supply shall be designated as the Base Crown Supply. If the Parties have not agreed upon such designation by 20 Days prior to the start of the upcoming Month, then the Processor shall designate by notice to APMC, setting out with adequate particularity, which volumes of Crown Supply shall be the Base Crown Supply.

The Crown Supply not designated as the Base Crown Supply shall constitute the "**Excess Crown Supply**", and shall be marketed by the Processor pursuant to the Marketing Agreement.

Notwithstanding the foregoing, until the Commercial Operation Date all of the Crown Supply shall be Excess Crown Supply, and none of the Crown Supply shall be designated as Base Crown Supply.

3.7 Shortage in Delivered Crown Supply

If in any Month the Crown Supply delivered by APMC to the Processor at one or more Custody Transfer Points contains a volume of Bitumen that is less than:

37,500 BPD of Bitumen, multiplied by

the number of Days in the Month,

(such difference being, in this Section 3.7, the "**Crown Supply Shortfall**"), then the Processor may, on behalf of and as agent for APMC, purchase a volume of Bitumen Blend (the "**Make-Up Crown Supply**") that contains a volume of Bitumen equal to the Crown Supply Shortfall for that Month, in which case the following shall apply:

(a) all costs incurred by the Processor in purchasing and transporting the Make-Up Crown Supply to the Facility shall be for the account of APMC, as contemplated in Section 14.1(d);

(b) the Parties recognize that the determination of the need for Make-Up Crown Supply in respect of a Month may occur in the next following Month, and that Bitumen Blend initially purchased by the Processor in the relevant Month as part of the optimization undertaken pursuant to Section 9.3, may be deemed by the Processor to be Make-Up Crown Supply for the relevant Month; and

(c) the cost of purchasing each Barrel of Make-Up Crown Supply shall be deemed to be the Weighted Average Acquisition Cost for the Month; and for the purpose of the equalization undertaken pursuant to Section 9.1, the Market Value Per Barrel of the Make-Up Crown Supply in a Month shall be the Weighted Average Acquisition Cost for the Month.

3.8 Ownership of Crown Supply

APMC, in its capacity as agent of the Crown, shall at all times own:

(a) the Crown Supply, including any Make-Up Crown Supply acquired by the Processor on behalf of APMC pursuant to Section 3.7;

(b) following the equalization undertaken pursuant to Section 9.1, APMC's interest in the Common Equalized Stream; and

(c) following the optimization undertaken pursuant to Section 9.3, APMC's interest in the Optimized Supply;

notwithstanding the transfer of custody to the Processor contemplated by Section 3.4, the optimization activities contemplated by Section 9.3, and delivery of Optimized Supply to the Facility.

4. DESIGN OF FACILITY

4.1 Performance Deposit

The Parties mutually intend and anticipate that the Processor will proceed immediately following the Execution Date with engineering design for the Facility to a level of detail (currently anticipated to be approximately 40% of engineering) that the Processor considers suitable for

seeking Project Sanction and thereafter seeking to arrange all Equity and Debt Financing required to construct the Facility (such engineering design to such level of detail constituting the "**Pre-Sanction Engineering Design**"). Accordingly, this Agreement is conditional on the Processor delivering to APMC, as security for the performance by the Processor of the above undertaking, a letter of credit in accordance with the following:

(a) the letter of credit must be issued by a financial institution having offices in Canada that is acceptable to APMC, acting reasonably, and must be presentable at a branch or office of that financial institution within Alberta;

(b) the letter of credit must be in the amount of $50 million;

(c) the letter of credit must be irrevocable, unconditional, and payable "on sight", subject to delivery of a certificate of a Commissioner or other authorized senior officer of APMC certifying that the letter of credit may be presented either pursuant to clause (d) or pursuant to the last paragraph of this Section 4.1, but without presentation of further or additional documentation of any kind; and

(d) the letter of credit must not expire prior to December 31, 2012, provided that the Processor may provide a letter of credit with a term of one year provided it is renewed or replaced on an annual basis until December 31, 2012, in which case a renewal or replacement letter of credit must be delivered to APMC in each year not less than 14 Days prior to expiry of the current letter of credit, failing which the letter of credit may be presented for payment on the same basis as provided in the last paragraph of this Section 4.1.

If the foregoing condition has not been met within three Business Days after the Execution Date, then absent an extension or waiver granted by APMC in its absolute discretion, this Agreement shall be at an end and of no effect.

APMC shall immediately release the letter of credit to the Processor upon the Processor establishing to the satisfaction of APMC, acting reasonably, that since the Execution Date the Processor has incurred and paid expenditures in furtherance of the Pre-Sanction Engineering Design for, or procurement of materials for, the Facility of not less than $100 million.

In the event that the above condition for release of the letter of credit has not been met at least 14 Days prior to December 31, 2012, APMC may present the letter of credit for payment (together with the certificate described in clause (c), and upon doing so shall as soon as practicable provide a copy of such certificate to the Processor), and retain the proceeds therefrom as liquidated damages, with no duty to account to the Processor therefor; and in that event retention of the proceeds from the letter of credit shall be APMC's sole remedy arising from failure of the Processor to proceed as anticipated with the Pre-Sanction Engineering Design.

4.2 Description of Facility

Subject to the Processor achieving Project Sanction as contemplated by Section 5 and arranging

Debt Financing as contemplated by Section 6, the Processor shall proceed to construct the Facility in a manner consistent with Schedule 1 – Description of the Facility. Without limiting the generality of the foregoing, the Facility shall be designed with a capacity to process approximately 77,000 BPD of Bitumen Blend containing approximately 50,000 BPD of Bitumen (the "**Design Capacity**"), and no major component of the Facility shall be designed beyond what Good Engineering Practices would reasonably require for the Design Capacity, having regard for the design parameters described in Schedule 1.

The obligations of the Processor under this Section 4.2 apply only to the design and construction of the Facility, and shall not be construed as a representation, warranty or covenant by the Processor that actual performance of the Facility will be equal to or greater than the Design Capacity.

4.3 Design Changes

APMC shall not unreasonably withhold agreement to proposed modifications of Schedule 1 – Description of the Facility; provided that it shall only be reasonable for APMC to withhold such agreement where the design changes contemplated by the proposed modifications of Schedule 1 would be likely to:

(a) increase the Design Capacity of the Facility, or increase the capacity of any major individual component of the Facility beyond what Good Engineering Practices would reasonably require for the Design Capacity, having regard for the design parameters described in Schedule 1;

(b) materially increase the Facility Capital Costs, unless necessary to meet (but not exceed) the Design Capacity;

(c) materially decrease the Facility Capital Costs while materially increasing operating costs that will be reflected in the Monthly Operating Component of the Monthly Cost of Service Toll;

(d) materially reduce the throughput, reliability or capability of the Facility;

(e) materially impair the environmental performance of the Facility, including in relation to carbon capture and storage; or

(f) result in a Facility that is fundamentally different in any material respect from what was described in the NWU Proposal.

4.4 Project Timeline

Subject to Project Sanction being obtained and the Debt Financing being arranged, the Processor shall endeavour to proceed with the Project in accordance with Schedule 2 – Project Timeline. If and as often as the Processor becomes aware that the timeline set out in Schedule 2 has become unrealistic or inaccurate in any material respect, the Processor shall in a timely manner, after first

consulting with APMC, make any suitable amendments to Schedule 2 by providing a revised version thereof to APMC.

5. PROJECT SANCTION

5.1 Definition of Project Sanction

"**Project Sanction**" shall be considered to have occurred when the boards of directors of each of NWU and CNUL, following completion of the Pre-Sanction Engineering Design, have formally approved the decision to proceed with the Project (which approval may be expressed subject to specific parameters), and to that end have resolved to proceed to arrange Debt Financing for the Project and, contingent on successfully arranging and finalizing the Debt Financing, to proceed with construction of the Facility; provided that if such approval is conditional upon certain events (other than the arranging of the Debt Financing) happening or being achieved, then Project Sanction shall be considered to have occurred only upon such events happening or being achieved.

5.2 Processor to Seek Project Sanction

The Parties mutually intend and expect that the Processor will seek Project Sanction in a timely manner upon completion of the Pre-Sanction Engineering Design and in any event prior to December 31, 2012. The Processor shall notify APMC upon resolving to seek Project Sanction, and shall keep APMC apprised of the anticipated date upon which Project Sanction may occur.

5.3 Cost Estimates and Target Commercial Operation Date

At the time of seeking Project Sanction, the Processor shall include in its request for Project Sanction its then current best estimate of:

(a) the capital costs for the Facility excluding AFUDC, calculated on the basis of amounts that would be included in the Facility Capital Costs, and including a reasonable allowance for contingency;

(b) the Initial Maximum Benchmark Operating Costs (calculated without regard to Section 13.7); and

(c) the Commercial Operation Date;

and shall concurrently apprise APMC of those estimates.

5.4 Communication of Project Sanction

Immediately upon Project Sanction occurring, the Processor shall give notice thereof to APMC. The Processor shall also give notice to APMC of any decision by either NWU or CNUL to decline Project Sanction or to impose conditions that must be met prior to Project Sanction.

5.5 APMC Termination at Project Sanction

APMC may, within

(a) seven Business Days of receiving notice from the Processor that Project Sanction has occurred, or

(b) 14 Business Days of receiving notice from the Processor that Project Sanction has occurred, if the Processor did not provide APMC with at least seven Business Days prior notice of the date upon which Project Sanction was anticipated to occur,

by notice to the Processor withdraw from and terminate this Agreement (and the Marketing Agreement) if, in the assessment of APMC, acting reasonably, since the Execution Date economic circumstances (external to fiscal circumstances of the Government of Alberta) have materially changed in such way and to such extent that this Agreement is unlikely to have a positive net present value for APMC and thus for the Government of Alberta (assessed without regard to macroeconomic factors such as incremental royalties, Taxes or job creation). In the event of such termination, APMC shall be obligated to pay to the Processor the following (but no other damages or amounts of any kind):

(c) amounts expended in good faith by or on account of the Processor (which may include expenditures by NWU and by CNUL) in furtherance of the Project subsequent to July 31, 2010 and to and including the date of the notice to the Processor terminating this Agreement, which amounts shall be calculated in accordance with the following:

(i) subject to subclause (iii), the amounts may include termination payments or cancellation costs of any kind, including severance costs, payable under the terms of any contractual obligations reasonably entered into in good faith;

(ii) subject to subclause (iii), the amounts may include the commuted value of non-cancellable financial obligations reasonably entered into in good faith on or before the date of such termination less the Fair Market Value of any consideration, taking into account the termination, received or receivable by the Processor in return for such financial obligations; and

(iii) the amounts shall not include refundable expenditures, and shall be subject to a duty on the part of the Processor following receipt of the notice of termination to take reasonable measures to mitigate the amounts;

plus

(d) a termination payment of $50 million (which amount is intended by the Parties as a genuine pre-estimate of damages).

If APMC does not deliver a notice terminating this Agreement pursuant to this Section 5.5 within the time permitted by clause (a) or clause (b), as the case may be, then APMC shall if so

requested by the Processor forthwith provide the Processor with confirmation that it has not exercised its right to terminate this Agreement within the time limited for doing so.

5.6 Procedure if Project Sanction Declined

In the event that Project Sanction is:

(a) declined by the Processor with finality, or

(b) not obtained by December 31, 2012,

then, unless APMC had previously indicated that it was not prepared to proceed with the Project on the basis presented when Project Sanction was sought, the Parties shall thereupon meet and discuss (without legal obligation beyond such undertaking to meet and discuss) possible options to restructure the Project so as to enable it to proceed. If the Parties cannot, within a period no longer than is reasonably necessary to allow for full discussion of possible restructuring options, agree on a mutually acceptable restructuring plan, then APMC, at its option, shall be entitled to exercise either or both of the following rights:

(c) a right to have the Processor negotiate exclusively with APMC for a period of six months for the purchase of all of the assets of the Processor related to the Project; and

(d) a right of first refusal over any sale of the assets of the Processor related to the Project, such right to be in effect for a period of five years;

and in that event the period of six months in clause (c) and the period of five years in clause (d) shall commence on the date when either Party, following a period of discussion, gives notice to the other that agreement on a mutually acceptable restructuring plan will not be achieved.

Nothing in this Section 5.6 derogates from any right as between the partners comprising the Processor to directly or indirectly acquire another partner's partnership interest.

5.7 Abandonment of Project

In the event of abandonment of the Project by the Processor prior to Project Sanction, which shall be considered to have occurred only in the event of any of the following:

(a) a publicly announced decision by the Processor or either of the partners comprising the Processor to abandon the Project;

(b) the Processor has otherwise than as set out in clause (a) overtly abandoned the Project, either through putting major assets up for sale or otherwise; or

(c) the Processor has not by December 31, 2014 achieved internal approval (of a nature equivalent to Project Sanction) for the Project or a modified version of the Project;

then APMC shall have an option, exercisable within six months of such abandonment, to purchase all of the assets of the Processor related to the Project for a price equal to 80% of the aggregate amount (in nominal dollars and calculated without regard to the time value of money) expended by or on account of the Processor (which may include expenditures by NWU, CNRL and its affiliates, including CNUL, and any operator of the Facility) in acquiring or developing those assets.

Nothing in this Section 5.7 derogates from any right as between the partners comprising the Processor to directly or indirectly acquire another partner's partnership interest.

6. FINANCING

6.1 Financing Plan

As soon as practicable following Project Sanction, the Processor shall endeavour to proceed with final arrangements for the Debt Financing required for the Project. Financing for the Project (exclusive of amounts for reserves, for working capital and for Debt Service Costs accruing or payable prior to the Toll Commencement Date) will be premised on approximately 20% Equity and 80% Debt Financing (for Facility Capital Costs not exceeding $6.5 billion and subject to the application of Section 13.4(b)), and will be supported by the CNRL Backstop Commitment. The Processor will endeavour to arrange the Debt Financing in accordance with the Debt Financing Plan. The initial Debt Financing Plan is attached as Schedule 3.

6.2 Procedure for Amending Debt Financing Plan

The Parties intend that the initial Debt Financing Plan, as set out in Schedule 3, will serve as an indicative, principles-based plan for the Debt Financing that will continue to be consensually refined on an ongoing basis until (and if necessary, beyond) the time of Project Sanction, in light of knowledge and experience gained through discussions with capital markets experts, potential lenders, and ratings agencies. To that end, the Parties agree to keep Schedule 3 continually under review until (and if necessary, beyond) the time of Project Sanction, and each Party shall give due consideration to, and shall not unreasonably withhold agreement to, any proposed amendment of the Debt Financing Plan. Notwithstanding the foregoing, the Processor may withhold consent to any proposed amendment of the Debt Financing Plan that would require an all-in average cost of borrowing lower than the threshold set out in Section 6.6.

6.3 APMC Approval of Debt Financing Plan at Project Sanction

Notwithstanding the process contemplated by Section 6.2, but subject to an obligation on the part of both Parties to act prudently and reasonably in relation to the Debt Financing Plan, if and to the extent that the Parties are unable to consensually resolve a difference of opinion regarding the form of the Debt Financing Plan to be presented for purposes of seeking Project Sanction, then APMC shall be entitled, acting reasonably, to determine the final content of the Debt Financing Plan for purposes of seeking Project Sanction.

6.4 APMC Approval of Debt Financing

Notwithstanding approval by APMC of the ultimate form of the Debt Financing Plan, but subject to an obligation on the part of APMC to act prudently and reasonably in relation to the Debt Financing, terms and conditions of the debt instruments proposed to comprise the Debt Financing for the Project must ultimately be approved by APMC before the Processor proceeds to finalize the Debt Financing. APMC shall not unreasonably withhold approval of terms and conditions of debt instruments proposed to comprise the Debt Financing, and to that end shall:

(a) not withhold approval of any aspects or attributes of debt instruments where such aspects or attributes were expressly and with particularity pre-approved in the Debt Financing Plan; and

(b) provide its approval of proposed debt instruments, or its reasons for not providing such approval, with sufficient timeliness so as not to unreasonably impede progress in regard to the proposed debt instruments.

6.5 If Project Not Financeable

If the Processor is unable to arrange, within one year following Project Sanction (or such longer period as APMC in its absolute discretion may agree to), commitments for all Debt Financing then expected to be required for the Project, consistent with the Debt Financing Plan (or as otherwise approved by APMC), then APMC may thereupon by notice to the Processor terminate this Agreement without further obligation of either Party of any kind. For greater certainty, APMC shall not exercise its rights under Sections 6.3 and 6.4 in respect of determination of the Debt Financing Plan and approval of terms and conditions of debt instruments proposed to comprise the Debt Financing with a view to or for the purpose of preventing or hindering the Processor from succeeding in arranging the Debt Financing such that this Section 6.5 will have application.

6.6 If Project Not Financeable Within Threshold Interest Rate

If (i) at any time prior to the finalization of the Debt Financing, APMC is of the opinion, looking forward and acting reasonably, that the Processor will be unable to finalize Debt Financing for the Project consistent with the Debt Financing Plan, wherein the all-in average cost of borrowing is below the equivalent of an effective annual interest rate of 7.75%, or (ii) the Processor is unable to arrange, within six months following Project Sanction (or such longer period as APMC in its absolute discretion may agree to), Debt Financing for the Project, consistent with the Debt Financing Plan (or as otherwise approved by APMC), wherein the all-in average cost of borrowing is below the equivalent of an effective annual interest rate of 7.75%, then APMC may thereupon by notice to the Processor terminate this Agreement, but in that event shall be obligated to reimburse the Processor for amounts, to an aggregate maximum of $230 million, expended by or on account of the Processor (which may include expenditures by NWU and CNRL or its affiliates including CNUL) in furtherance of the Project on or after January 1, 2011 (other than in respect of commitments entered into after the date of such notice of termination), which amounts shall be calculated in accordance with the following:

(a) subject to clause (c), the amounts may include termination payments or cancellation costs of any kind, including severance costs, payable under the terms of any contractual obligations reasonably entered into in good faith;

(b) subject to clause (c), the amounts may include the commuted value of non-cancellable financial obligations reasonably entered into in good faith less the Fair Market Value, taking into account the termination, of any consideration received or receivable by the Processor in return for such financial obligations; and

(c) the amounts shall not include refundable expenditures, and shall be subject to a duty on the part of the Processor following receipt of the notice of termination to take all reasonable measures to mitigate the amounts;

and neither Party shall be obligated to pay to the other any other damages or amounts of any kind.

The provisions of this Section 6.6 shall apply only to any initial Debt Financing and shall not apply to any refinancing thereof.

6.7 Tripartite Agreements with Lender Agent

Although contractual arrangements, ancillary to this Agreement, with providers of the Debt Financing and in respect of the CNRL Security cannot be finalized until the Debt Financing and Operating Line are arranged, the Parties anticipate the following:

(a) that the rights of providers of the Debt Financing, and the providers of the Operating Line, will be governed, as among such providers, by a common security or intercreditor agreement or trust indenture administered on their behalf by a trustee, collateral agent or other representative (the "**Lender Agent**"); and

(b) that the Lender Agent will, on behalf of the providers of the Debt Financing, and potentially the providers of the Operating Line, request that the Parties and CNR enter into an agreement by whatever name (the "**Trust Agreement**") governing the receipt and distribution of proceeds from the sale of Refined Products produced by the Facility as well as any net amount payable by APMC under Section 14.3, and an agreement by whatever name (the "**Direct Lender Agreement**") governing various rights and remedies among the Parties and the Lender Agent.

The Parties intend, as between themselves (but only on an indicative and non-binding basis), and subject to discussions with and approval by the Lender Agent, that the Trust Agreement shall be generally in the form of Schedule 4, and the Direct Lender Agreement shall be generally in the form of Schedule 5.

The Parties acknowledge the possibility that there may be more than one Lender Agent, each representing some but not all of the providers of the Debt Financing, or a separate Lender Agent for the Debt Financing and the Operating Line, in which case the Parties intend as follows:

(c) all such Lender Agents shall be parties to the Trust Agreement; and

(d) there may be more than one Direct Lender Agreement;

and the Parties shall cooperate in relation to any common security or intercreditor agreements required among the Lender Agents, including in relation to shared security (and including, if applicable, in relation to the Operating Line).

APMC undertakes to cooperate (with sufficient timeliness so as not to unreasonably impede progress) in the negotiation of, and to enter into, such commercially reasonable arrangements and agreements, including for greater certainty such certificates, opinions and other ancillary documents as are customarily required in similar transactions, with one or more Lender Agents as may reasonably be required in order to finalize the Debt Financing that has been arranged and approved pursuant to Section 6.4 and the Operating Line and any refinancing of the Debt Financing. In addition, the Parties anticipate the need for intercreditor arrangements in connection with the CNRL Security (which for greater certainty shall be subordinate to all other security contemplated by this Agreement), and APMC undertakes to cooperate in the negotiation of, and to enter into, commercially reasonable arrangements and agreements in that regard among the Parties and CNRL and providers of the Debt Financing and the Operating Line.

6.8 Prepayment of Debt Financing

APMC may at its option at any time by notice to the Processor (and with such advance notice as is reasonable in the particular circumstances), to the extent permitted by the terms of the Debt Financing, elect to (i) have the Processor prepay any of the Debt Financing, (including any applicable prepayment premium, breakage costs, gross-ups and applicable withholdings in respect of Taxes, hedge and derivative termination amounts, penalties or charges of whatever nature under the terms of the applicable debt instruments), or (ii) upon maturity of any debt instruments comprising the Debt Financing, have the Processor pay out those debt instruments, subject to and in accordance with the following:

(a) the aggregate principal amount of the Debt Financing prepaid or paid out upon maturity under this Section 6.8 shall not exceed 75% of:

(i) the initial principal amount of the Debt Financing (including any refinanced amounts), less

(ii) all repayments by the Processor, if any, of the initial principal amount of the Debt Financing (including any refinanced amounts) pursuant to the terms of debt instruments comprising the Debt Financing;

(b) APMC shall not exercise such option or provide such notice without first exploring with the Processor all consequences of the proposed prepayment or payout for the Processor and for CNR;

(c) the Debt Component for the then current Month shall include all amounts payable by the Processor in connection with such prepayment or payout, and the Processor shall have no obligation to effect any such prepayment or payout until it has received such amounts from APMC; and

(d) consequences arising pursuant to the provisions of Schedule 10 in respect of the Tax Allowance provided for therein.

The Parties acknowledge and intend that, if and as often as the Processor makes any such prepayment or payout, the Debt Component shall no longer include the amounts that would have been payable in respect of the prepaid or repaid amounts.

6.9 Refinancing

Upon maturity, within the Term (excluding any Renewal Term), of any debt instruments comprising the Debt Financing (excluding any such instruments that are bankers' acceptances or are payable on demand or have a term to maturity of less than one year), APMC shall have the option to have the refinancing provided either by APMC or by the Crown (to the extent that either of them then have statutory authority to do so), subject to and in accordance with the following:

(a) the Processor shall give APMC at least 120 Days notice of the upcoming maturity;

(b) if APMC, within 14 Days of receiving such notice, expresses an intent that either APMC or the Crown will provide the refinancing, then APMC and the Processor shall endeavour to negotiate the terms of the refinancing, each acting reasonably based on terms then available in the financing market;

(c) if APMC and the Processor cannot, within 45 Days of the notice in clause (a), agree upon the terms and conditions of the refinancing, then the Processor shall proceed to arrange the refinancing in the financing market, but not on terms that in aggregate are more favourable to the lender than terms that have been offered by APMC or the Crown if such offer has expressly been kept open; and

(d) if refinancing in the financing market is not available on any reasonable terms, then APMC may, either directly or by the Crown, provide such refinancing on reasonable commercial terms, having regard to all then applicable commercial circumstances and on the assumption of a willing lender and a willing borrower.

In addition to the above option, APMC may, at its option but acting reasonably, give directions to the Processor in respect of the refinancing to be carried out under clause (c), provided that if

the Processor receives incompatible directions from CNR pursuant to the CNR Processing Agreement, then unless APMC and CNR subsequently provide a joint direction for the refinancing, the Processor shall bifurcate the refinancing as required to accommodate the directions from APMC and from CNR, and in that event APMC and the Processor shall enter into such arrangements and agreements as may be required to achieve such bifurcation, including seeking to make such amendments to the Trust Agreement or Direct Lender Agreement as may be required, and in that event the Debt Component shall be adjusted accordingly.

7. CONSTRUCTION OF FACILITY

7.1 Construction and Commissioning

Following Project Sanction and the arrangement and availability of all Debt Financing required for the Project, the Processor shall proceed with construction, testing and commissioning of the Facility. Except insofar as costs in relation to the Facility are expressly included in the Monthly Cost of Service Toll, all costs of constructing, testing and commissioning the Facility are exclusively for the account of the Processor.

7.2 Permitting

All permits, consents and approvals of any kind whatsoever required by Applicable Laws shall be the responsibility of the Processor, and APMC has made no representations in relation thereto and has not undertaken, and shall not be expected to procure, any assistance in obtaining or expediting any such permits, consents or approvals; provided that APMC shall upon request provide to the Processor such information as is reasonably available to APMC that the Processor may reasonably require from APMC for the purpose of obtaining such permits, consents and approvals.

7.3 APMC Access to Site

APMC may at all reasonable times and upon reasonable notice have access to the construction site for the Project for the purpose of monitoring the Processor's compliance with this Agreement, subject to and in accordance with the following:

(a) access to the Processor's contractors will be subject to the provisions of the Processor's contracts with its contractors;

(b) access to the construction site will be conditional on APMC's representatives observing all Applicable Laws and all policies, procedures and requirements of the Processor and its contractors in respect of safety;

(c) APMC's representatives exercising access to the construction site shall do so at their own risk (and may, if they are other than employees of APMC or the Crown, be required to execute waivers to that effect), except for:

(i) any injury, loss or damage that is insured against by the Processor or its contractors, to the extent of the proceeds received or claimable from such insurance; or

(ii) any injury, loss or damage to the extent caused by the gross negligence or wilful misconduct of the Processor or its contractors; and

(d) such access must not interfere with the construction of the Facility; and

(e) APMC shall indemnify the Processor against any claim made in respect of APMC's representatives exercising access to the construction site under this Section 7.3 or a failure by APMC or its representatives to observe and comply with clauses (b), (c) and (d) of this Section 7.3.

7.4 Commercial Operation Date

The Processor shall keep APMC apprised when the Processor anticipates that the Commercial Operation Date will imminently be achieved, and shall immediately give APMC notice of achieving the Commercial Operation Date.

8. OPERATION OF FACILITY

8.1 Crown Capacity Entitlement

From the Commercial Operation Date until the end of the Term and throughout any Renewal Term, the Processor shall each Month apply the Crown Capacity Entitlement to processing of the Optimized Supply.

8.2 Product Selection

The Refined Products to be produced from time to time by the Facility shall be selected by the Processor from time to time, subject to the following:

(a) the Refined Products and proportions thereof shall be determined with a view to optimizing the profitable operation of the Facility having regard for available markets from time to time;

(b) subject to clause (c), the Refined Products shall at all times be as set out in Schedule 8, as amended from time to time;

(c) the Processor may, in order to deal on a short-term basis with unanticipated composition of any Optimized Supply or conditions at the Facility or market conditions or any other situation in the nature of an emergency, modify the suite of Refined Products on a short-term basis without amending Schedule 8;

(d) Schedule 8 may be amended by the Processor from time to time by notice to APMC, subject to the following:

(i) the Processor shall consult with APMC prior to adding or deleting any Refined Products from Schedule 8; and

(ii) no Refined Products shall be added to Schedule 8 where the production at the Facility of such Refined Products would be incompatible with any international treaty obligations of Canada or any trade agreement obligations of Alberta.

8.3 APMC Option on Diluent

APMC shall have the option, exercisable from time to time throughout the Original Term and any Renewal Term by notice to the Processor at least 30 Days in advance of a Month, to purchase from the Processor at Fair Market Value in any Month up to 75% of the Diluent recovered by the Processor from processing the Optimized Supply in that Month.

8.4 APMC Access to Facility

APMC may at all reasonable times following the Commercial Operation Date and upon reasonable notice have access to the Facility for the purpose of monitoring the Processor's compliance with this Agreement, subject to and in accordance with the following:

(a) access to the Facility will be conditional on APMC's representatives observing all Applicable Laws and all policies, procedures and requirements of the Processor in respect of safety;

(b) APMC's representatives exercising access to the Facility shall do so at their own risk (and may, if they are other than employees of APMC or the Crown, be required to execute waivers to that effect), except for:

(i) any injury, loss or damage that is insured against by the Processor, to the extent of proceeds received or claimable from such insurance; or

(ii) any injury, loss or damage to the extent caused by the gross negligence or wilful misconduct of the Processor or its contractors; and

(c) such access must not interfere with the operation of the Facility; and

(d) APMC shall indemnify the Processor against any claim made in respect of APMC's representatives exercising access to the Facility under this Section 8.4 or a failure by APMC or its representatives to observe and comply with clauses (a), (b) and (c) of this Section 8.4.

8.5 Credit and Counterparty Risk

The Processor shall, in consultation with and subject to approval by APMC (which approval shall not be unreasonably withheld or delayed, having regard to all relevant circumstances, including but not limited to Good Industry Practices), establish and observe and keep under review and from time to time update and amend policies, practices and procedures in respect of credit and counterparty risk (including risk management generally) applicable to all transactions in respect of:

(a) the sale of Bitumen Blend or other Feedstock in the course of the optimization activities undertaken pursuant to Section 9.3; and

(b) the marketing and sale of Refined Products pursuant to Section 10.

8.6 Management Remuneration

The Processor covenants that the remuneration (inclusive of salaries, bonuses and benefits) of management employees engaged in the financing, design, construction and operation of the Facility will not exceed what is reasonable in the circumstances. Where remuneration of management employees is allocated in part to the Facility, the Processor covenants that such allocation will be:

(a) subject to clause (b), based on a reasonable allocation as between the Facility and other business operations in which such management employees are engaged; and

(b) based on remuneration not exceeding what is reasonable in the circumstances.

The Processor covenants not to allocate to the Facility any remuneration paid to individuals in consideration of their serving as corporate directors.

The Provisions of this Section 8.6 shall apply notwithstanding any provision of Schedule 10 – Cost of Service Toll.

9. EQUALIZATION AND OPTIMIZATION OF SUPPLY

9.1 Equalization Relative to CNR Supply

The Parties acknowledge that the APMC obligation under Section 3.1 to deliver the Base Crown Supply is paralleled by an obligation on the part of CNR, pursuant to the CNR Processing Agreement, to deliver the CNR Supply. The Parties shall account for the difference in value of the Base Crown Supply and the value of the CNR Supply through a "**Monthly Equalization Amount**", which shall be determined for each Month as follows:

(a) the Crown Stream Value for that Month; minus

(b) 75% of the Aggregate Equalized Stream Value for that Month;

and the following results shall apply:

(c) each of APMC and CNR will own an undivided interest (75% by APMC, 25% by CNR) in the common, equalized stream comprising the Base Crown Supply and the CNR Supply; and APMC acknowledges and agrees that the conveyance of such ownership interests as between it and CNR shall be deemed to have occurred as is necessary to effect such equalization; and

(d) where the Monthly Equalization Amount for a Month is positive, it shall be for the account of APMC in the Monthly Statement for that Month; and where the Monthly Equalization Amount for a Month is negative, the absolute value of that amount shall be for the account of the Processor in the Monthly Statement for that Month.

Example calculations in relation to this Section 9.1 are set out in Part 1 of Schedule 13.

9.2 Valuation for Equalization Purposes

For purposes of applying the equalization methodology set out in Section 9.1, the Crown Stream Value ascribed to the Base Crown Supply and the CNR Stream Value ascribed to the CNR Supply shall be market value, determined in accordance with the methodology set out in Schedule 7.

9.3 Optimization of Feedstock

Apart from complying with the quality parameters established pursuant to Section 3.3, APMC shall have no obligation to ensure that the Crown Supply is suitable or optimal for processing at the Facility. The Processor shall be authorized to engage in trading activities of any nature whatsoever in relation to the Base Crown Supply, and is hereby authorized by APMC to sell, trade, exchange or swap the Base Crown Supply (including the common equalized stream established by equalization carried out under Section 9.1) and to buy and sell other Feedstock, in each case as the Processor sees fit for the purpose of obtaining optimized Feedstock for processing at the Facility, with a view to optimizing the profitable operation of the Facility. The aggregate of the optimized Feedstock ultimately received by the Processor at Facility Delivery Points in a Month shall constitute the "**Optimized Supply**" in that Month.

9.4 Consultation and Collaboration

Without limiting or restricting in any way the exclusive authority of APMC to designate under Section 3.6 the Bitumen Blend that shall constitute the Crown Supply delivered to the Processor, or the exclusive authority of the Processor under Section 9.3 to optimize Feedstock for the Facility, either of the Parties may initiate consultations at any time with a view to collaboratively aligning the Crown Supply with Feedstock optimization.

9.5 Monthly Optimization Amount

The Parties shall account for the difference between the Aggregate Equalized Stream Value and the Optimized Stream Value through a "**Monthly Optimization Amount**" determined as:

(a) the Monthly Feedstock Acquisition Costs for the Month; minus

(b) the Monthly Feedstock Sales Proceeds for the Month.

Where the Monthly Optimization Amount for a Month is positive, 75% of such amount shall be for the account of the Processor in the Monthly Statement for that Month; and where the Monthly Optimization Amount for a Month is negative, 75% of the absolute value of such amount shall be for the account of APMC in the Monthly Statement for that Month.

Example calculations in relation to this Section 9.5 are set out in Part 2 of Schedule 13.

9.6 Commingling

APMC acknowledges that the Base Crown Supply, and APMC's interest in the Monthly Optimized Supply, may be commingled with other Bitumen Blend or other Feedstock acquired by the Processor or processed by the Processor for others. Except for the Monthly Equalization Amount and the Monthly Optimization Amount, APMC shall not be entitled to or subject to any other adjustments on account of differences in quality between any of the Base Crown Supply, the Common Equalized Stream and the Monthly Optimized Supply. Following the optimization activities undertaken pursuant to Section 9.3, each of APMC and CNR will own an undivided interest (75% by APMC, 25% by CNR) in the Monthly Optimized Supply; and APMC acknowledges and agrees that the conveyance of such ownership interests as between it and CNR shall be deemed to have occurred as is necessary to effect such equalization.

10. MARKETING OF REFINED PRODUCTS

10.1 Marketing Services

The Processor shall, from the Commercial Operation Date and thereafter throughout the Term, arrange for the marketing, transportation (subject to the availability of transportation) and sale of the Refined Products.

10.2 Marketing Decisions

The Refined Products shall be marketed with a view to optimizing the profitable operation of the Facility.

10.3 Restrictions

The Processor shall not, in marketing the Refined Products, engage in any of the following activities without the prior approval of APMC:

(a) transactions denominated in a currency other than Canadian dollars or United States dollars; and

(b) hedging (including any transaction where the price or any component of the price is fixed, other than at market price, for longer than 90 Days) or derivative transactions.

10.4 Ownership of Refined Products

Until sale by the Processor, the Refined Products shall be owned 75% by APMC and 25% by CNR. APMC hereby constitutes the Processor as its agent for the purposes of selling on its behalf Refined Products owned by APMC.

10.5 Performance Benchmarks

The Processor's performance in marketing the Refined Products will be assessed against the performance benchmarks set out in Schedule 9, as amended from time to time. The Parties shall keep the provisions of Schedule 9 continually under review with a view to revising and updating the performance benchmarks so as to ensure that they are and continue to be reasonably objective measures of discoverable market prices for the Refined Products marketed and sold by the Processor.

10.6 Failure to Meet Benchmarks

In the event of any failure by the Processor to meet any of the performance benchmarks set out in Schedule 9, the Processor shall provide APMC with the Processor's explanation therefor, and indicate what remedial action, if any, the Processor proposes to take to prevent a recurrence. In the event of a material ongoing or sustained failure to meet performance benchmarks, then:

(a) the Processor shall at the request of APMC meet with APMC to mutually reassess and if necessary refocus the marketing approach being employed by the Processor; and

(b) if CNR and APMC jointly so direct, the Processor shall contract out some or all of the marketing functions, to such person or persons and on such terms as CNR and APMC may jointly direct.

11. PROCEEDS FROM REFINED PRODUCTS

11.1 Establishment of Trust Account

The Processor shall, in advance of the Toll Commencement Date, establish a trust account (the "**Trust Account**") suitable for the purposes of Sections 11.2 and 11.3, in accordance with the following:

(a) the Trust Account may comprise both a Canadian dollar account and a United States dollar account;

(b) the Trust Account shall be maintained at a Canadian financial institution selected by the Processor and approved by APMC, which approval shall not unreasonably be withheld; and

(c) the Trust Account shall be held and administered by a trustee at Arm's Length from the Processor, such trustee to be selected by the Processor and approved by APMC, which approval shall not unreasonably be withheld.

11.2 Payment into Trust Account

The Processor shall establish and maintain procedures designed to ensure, and shall ensure, that all proceeds from the sale of Refined Products are paid solely and exclusively into the Trust Account.

11.3 Beneficiaries of Trust Account

The beneficial owners of the Trust Account shall include APMC, CNR, the Processor and the providers of the Debt Financing, and may include the providers of the Operating Line, as stated in the Trust Agreement.

11.4 Distribution from Trust Account

Distributions from the Trust Account shall be made only in accordance with the Trust Agreement.

11.5 Modifications

APMC shall agree to such modifications to the arrangements and procedures specified in Sections 11.1 through 11.4 as may be required by providers of the Debt Financing, provided such modifications do not materially alter or impair the following objectives:

(a) all proceeds from the sale of Refined Proceeds and any net amount payable by APMC under Section 14.1 will initially be paid to a trustee and not to the Processor or NWU; and

(b) distribution by the trustee to APMC of any net amount payable to APMC under Section 14.1 will be prior to distributions to the Processor (but *pari passu* with CNR and subordinate to the payment of Debt Service Costs or any payment of the Debt Component).

11.6 Allocation of Proceeds

Subject to the application of Section 12 in relation to Excess Capacity, and pending determination of the net amount payable under Section 14.1, beneficial ownership of proceeds from the sale of Refined Products shall initially be allocated 75% to APMC and 25% to CNR.

12. EXCESS CAPACITY

12.1 Processor Entitlement to Excess Capacity

The Processor is entitled, to the exclusion of APMC and CNR, to profits generated through "**Excess Capacity**", which shall be defined and determined in accordance with the following:

(a) the intent of the Parties is that if the volume of Bitumen processed at the Facility during a Year exceeds 50,000 BPD of Bitumen, on average, multiplied by the number of Days in the Year and further multiplied by the Annual Onstream Factor for that Year, then, subject to clause (b), all processing capacity in excess of such threshold shall be Excess Capacity, and the Processor shall be entitled to the profits generated by utilizing such Excess Capacity, as determined in accordance with Sections 12.4 and 12.5;

(b) notwithstanding clause (a), any shortfall in relation to the threshold set out in clause (a) in a Year shall be carried forward into the next Year (but without being further carried forward, directly or indirectly, beyond that next Year), such that there shall not be Excess Capacity in that next Year unless the shortfall from the prior Year has been made up, all as determined in accordance with Sections 12.4 and 12.5; and

(c) profits, if any, derived from utilizing Excess Capacity shall be allocated and credited to the Processor each Month based on Year-to-date operations such that at the end of the Year the allocation of such profits to the Processor shall have been determined on an annual basis, all as determined in accordance with Sections 12.4 and 12.5.

The Parties acknowledge their mutual expectation that, notwithstanding compliance by the Processor with its obligations under Section 4.2 in regard to the Design Capacity of the Facility, there is a reasonable likelihood of the Processor being able to achieve on a sustained basis actual performance in excess of the Design Capacity, so as to achieve Excess Capacity.

12.2 Determination of Annual Onstream Factor

As part of the preparation of the Processor's annual operating plan for an upcoming Year, developed in conjunction with the Processor's annual budget process for that year, the Processor, after consultation with APMC (including full disclosure to APMC of pertinent information), shall propose the Annual Onstream Factor for the upcoming Year, following which:

(a) the Parties shall endeavour to agree on the Annual Onstream Factor for the upcoming Year and, if agreed, that agreed-upon Annual Onstream Factor shall be the Annual Onstream Factor for that upcoming Year; and

(b) if the Parties cannot agree upon the Annual Onstream Factor for a Year, then the Annual Onstream Factor for the Year shall be determined pursuant to the Dispute Resolution Procedure in a manner consistent with Good Engineering Practices and having regard for:

(i) outages planned to occur in that Year;

(ii) unplanned outages in that Year, in light of historical operating performance; and

(iii) the obligation of the Processor to operate the Facility in accordance with Good Industry Practices.

Until such time as the Annual Onstream Factor for a Year has been determined, Monthly Statements in respect of that Year shall be prepared on the basis of the Annual Onstream Factor proposed by the Processor, and upon determination of the Annual Onstream Factor for the Year, any amounts resulting from the difference between the proposed Annual Onstream Factor and that determined for the Year shall be included in the next Monthly Statement following the determination.

If, after the determination of the Annual Onstream Factor for a Year pursuant to the foregoing provisions of this Section 12.2, the Processor determines that:

(c) an outage at the Facility initially planned to occur in that current Year is rescheduled to occur in the next subsequent Year; or

(d) an outage at the Facility initially planned to occur in the next subsequent Year is rescheduled to occur in the current Year;

then the Processor shall, by notice to APMC, adjust the Annual Onstream Factor for the current Year to reflect such rescheduling of the planned outage, and the Annual Onstream Factor for the next subsequent Year shall be determined or adjusted, as the case may be, to reflect such rescheduling of the planned outage, so that in each such Year, the Annual Onstream Factor shall only reflect planned outages that actually occur in the Year.

Notwithstanding anything in this Section 12.2, if the Annual Onstream Factor for a Year as determined in accordance with the foregoing would be less than 80%, then for all purposes of this Agreement the Annual Onstream Factor for that Year shall be deemed to be 80%.

Example calculations in relation to calculation of the Annual Onstream Factor are set out in Part 3 of Schedule 13.

12.3 Monthly Onstream Factor

Concurrently with determining the Annual Onstream Factor pursuant to Section 12.2, the Processor shall, in consultation with APMC and applying Good Engineering Practices, determine and provide to APMC a "**Monthly Onstream Factor**" for each Month of the Year, having regard for the Annual Onstream Factor and the timing of scheduled outages and turnarounds in that Year; provided that the Monthly Onstream Factors for all of the Months in a Year must in aggregate generate the same result as the Annual Onstream Factor in that Year, as determined under Section 12.2.

The Processor may, during the course of a Year, by notice to APMC amend the Monthly Onstream Factors for that Year to reasonably reflect changes in the scheduling of outages and turnarounds, provided the Monthly Onstream Factors for all of the Months in that Year continue to in aggregate generate the same result as the Annual Onstream Factor in that Year, as determined under Section 12.2.

In addition, if the Annual Onstream Factor for a Year is adjusted pursuant to the second last paragraph of Section 12.2, the Processor shall at the same time, by notice to APMC, adjust the Monthly Onstream Factors for the Year in order to reasonably reflect the change in the scheduling of planned outages; provided that the Monthly Onstream Factors for all of the Months in that Year shall continue to in aggregate generate the same result as the Annual Onstream Factor for that Year as adjusted pursuant to Section 12.2.

Example calculations in relation to calculation of the Monthly Onstream Factor are set out in Part 3 of Schedule 13.

12.4 Defined Terms for Monthly Calculation of Excess Capacity Payment

For purposes of the Monthly Calculation of Excess Capacity Payment under Section 12.5 the following expressions shall have the following meanings:

"**Annual Bitumen Volumes**" means, for a Year, the aggregate number of Barrels of Bitumen contained in the Monthly Optimized Supply for all of the Months in that Year;

"**Monthly Bitumen Volume**" means, for a Month, the number of Barrels of Bitumen contained in the Monthly Optimized Supply in that Month;

"**Monthly Excess Capacity**" means, for a Month, the amount (which may be positive or negative) equal to:

(a) the Monthly Bitumen Volume for that Month;
minus

(b) the result of:

(i) 50,000 BPD; multiplied by

(ii) the number of Days in the Month; multiplied by

(iii) the Monthly Onstream Factor for that Month.

"**Monthly Onstream Factor**" has the meaning ascribed to it by Section 12.3;

"**Prior Year Capacity Deficiency**" means, for a Year, the positive amount, if any (failing which the Prior Year Capacity Deficiency shall be zero), equal to:

(a) the result of:

(i) 50,000 BPD; multiplied by

(ii) the number of Days in the prior Year; multiplied by

(iii) the Annual Onstream Factor in the prior Year;

minus

(b) the Annual Bitumen Volumes in the prior Year;

"**YTD Aggregate Revenues**" means, at the end of a Month, the aggregate of the Monthly Aggregate Revenues for that Month and all of the prior Months in the Year;

"**YTD Bitumen Volumes**" means, at the end of a Month, the aggregate of the Monthly Bitumen Volumes for that Month and all of the prior Months in the Year;

"**YTD Excess Capacity**" means, at the end of a Month, the amount (which may be positive or negative) equal to:

(a) the aggregate of the Monthly Excess Capacity for that Month and all of the prior Months in the Year; minus

(b) Prior Year Capacity Deficiency for that Year;

"**YTD Excess Capacity Amount**" means, at the end of a Month, the amount equal to:

(a) the YTD Excess Capacity at the end of that Month; multiplied by

(b) the YTD Net Profit Per Barrel at the end of that Month;

provided that the YTD Excess Capacity Amount shall never be less than zero;

"**YTD Monthly Incentive Fee**" means, at the end of a Month, the aggregate of the Monthly Incentive Fee (determined in accordance with Schedule 10) for that Month and all of the prior Months in the Year;

"**YTD Net Profit Per Barrel**" means, at the end of a Month, the positive amount, if any, equal to:

(a) YTD Aggregate Revenues at the end of that Month; minus

(b) the sum of:

(i) the YTD Optimized Stream Value at the end of that Month; plus

(ii) the YTD Operating Component at the end of that Month; plus

(iii) the YTD Monthly Incentive Fee at the end of that Month;

divided by the YTD Bitumen Volumes;

"**YTD Operating Component**" means, at the end of a Month, the aggregate of the Flow-Through Operating Costs and the Benchmark Operating Costs (each determined in accordance with Schedule 10 – Cost of Service Toll) for that Month and all of the prior Months in the Year; and

"**YTD Optimized Stream Value**" means, at the end of a Month, the aggregate of the Optimized Stream Value for that Month and all of the prior Months in the Year.

12.5 Monthly Calculation of Excess Capacity Payment

The Processor shall determine for each Month the YTD Excess Capacity Amount, and the following shall apply:

(a) if the YTD Excess Capacity Amount at the end of the Month is greater than the YTD Excess Capacity Amount at the end of the previous Month (or, for the first Month of the Year, is greater than zero), then 75% of such difference shall be for the account of the Processor and included as such in the Monthly Statement for that Month;

(b) if the YTD Excess Capacity Amount at the end of the Month is less than the YTD Excess Capacity Amount at the end of the previous Month (which for the first Month of the Year shall be deemed to be zero), then 75% of such difference shall be for the account of APMC and included as such in the Monthly Statement for that Month; and

(c) for greater certainty, the YTD Excess Capacity Amount at the end of December in each Year shall be the YTD Excess Capacity Amount for the entire Year, to which the Processor is entitled pursuant to Section 12.1.

Example calculations in relation to this Section 12.5 are set out in Part 3 of Schedule 13.

12.6 Debottlenecking or Expansion

Without limiting any other obligation of the Processor under this Agreement in relation to the design of the Facility or design changes in respect of the Facility, the Processor agrees, in consideration of its entitlement under Section 12.1 to profits generated by utilizing Excess Capacity, to indemnify APMC against any losses on the part of APMC, assessed on the basis of a Year and in light of the aggregate Crown Capacity Entitlement for that Year, reasonably attributable to shutdowns or throughput reductions caused by:

(a) debottlenecking operations; or

(b) any expansion of the Facility or any major component thereof;

that increase or are intended to increase actual capacity beyond the Design Capacity.

13. FEE FOR SERVICES

13.1 Charge for Services

In consideration for the processing of the Crown's share of Optimized Supply, the marketing of Refined Products, and all other services to be provided and actions to be carried out by the Processor under this Agreement, APMC shall pay to the Processor the Monthly Cost of Service Toll.

13.2 Toll Commencement Date

The Monthly Cost of Service Toll shall be payable by APMC from and after the Toll Commencement Date until the end of the Term. Notwithstanding anything in this Agreement to the contrary, and notwithstanding any Force Majeure Event or any consequence thereof, APMC's obligation to pay the Debt Component is unconditional and is not subject to abatement, reduction, deduction or set-off for any reason whatsoever and shall not be reduced or affected in any way, including by:

(a) the inability or failure of APMC to deliver the Crown Supply;

(b) the inability or failure of the Processor to accept delivery of or to process the Crown Supply;

(c) any Processor Default (as defined in Section 22.1); or

(d) the lack of proceeds from Refined Products;

provided that, to the extent that proceeds from the sale of Refined Products deposited to the Trust Account in any Month for and on behalf of APMC (being 75% of all proceeds from the sale of Refined Products, subject to the YTD Excess Capacity Amount) have been paid to the Lender Agent in accordance with the Trust Agreement without condition or set-off, APMC's absolute obligation to pay the Debt Component shall be conclusively satisfied (dollar for dollar) by an amount equal to such payment to the Lender Agent.

13.3 Cost of Service Toll

The Monthly Cost of Service Toll shall be as set out in Schedule 10.

13.4 Prior Capital Costs

The Prior Capital Costs (which are included in the Facility Capital Costs and thereby are material to the Monthly Cost of Service Toll) shall comprise the following:

(a) the sum of $329,160,126.27, being the Parties mutually agreed calculation (which shall be subject to revision only in the event of information negligently or deliberately misrepresented to or withheld from APMC by the Processor or NWU or CNRL), based on information represented by the Processor as being complete and accurate and APMC's due diligence based thereon, of the amount of costs that are typically capitalized in accordance with generally accepted accounting principles, incurred by NWU or the Processor in the planning, design and development of the Project (including without limitation acquiring regulatory approvals for the Facility) to and including July 31, 2010, calculated without regard to the time value of money; plus

(b) in recognition that the value of the Prior Capital Costs to the Project to some extent turns on whether the Facility can be constructed on the timetable and at the aggregate cost projected by the Processor, a 10% return per annum on all amounts included in clause (a), calculated from the respective dates of expenditures, accruing daily and pro-rated based on the number of Days in any partial year, and compounded annually, but only if:

(i) the Commercial Operation Date is achieved no later than the Toll Commencement Date; and

(ii) the Facility Capital Costs (inclusive of the Prior Capital Costs, and including the 10% return per annum contemplated by this clause (b)), do not exceed $5 billion;

provided that if the Facility Capital Costs (as calculated in subclause (ii) above) exceed $5 billion but are less than $6.5 billion, then conditional on the Commercial Operation Date being achieved no later than the Toll Commencement Date, there shall be a return under this clause (b) that proportionately reduces on a straight-line basis from 10% at $5 billion to zero at $6.5 billion (with the applicable rate of return calculated to two decimal places).

13.5 Return on Equity and Return of Equity

For the purposes of Schedule 10 – Cost of Service Toll, and notwithstanding any provision of that Schedule, payment of the "**Monthly Return on Equity**" and the "**Monthly Return of Equity**", in each case as those expressions are defined and those amounts are determined by that Schedule, shall be subject to the following:

(a) the Monthly Return on Equity and the Monthly Return of Equity shall not in any event (and notwithstanding any Force Majeure Event and Section 21.2) be payable prior to the Commercial Operation Date, and in particular:

(i) except as provided in subclause (ii), where the Toll Commencement Date precedes the Commercial Operation Date, the Monthly Return on Equity shall not

be payable in respect of any Month until the Commercial Operation Date occurs and shall not be accrued or otherwise carried forward; and

(ii) where the Toll Commencement Date precedes the Commercial Operation Date as a result of a non-site-specific labour disruption of provincially bargained building trades, then to the extent that the Processor can demonstrate that, but for such labour disruption, the Commercial Operation Date would have been achieved earlier, then the suspended Monthly Return on Equity shall accrue during the period of such delay and the amount so accrued shall be paid out in three equal instalments over the three Months following the Month in which the Commercial Operation Date occurs;

(b) if, following the Commercial Operation Date, at the end of a Month:

(i) the aggregate of the Monthly Bitumen Volumes (as defined in Section 12.4) over the past 18 Months;

is less than:

(ii) 80% of the aggregate of the following for each of the Months in such prior 18 Months:

(A) 50,000 BPD; multiplied by

(B) the number of Days (excluding any Days in which, due to a Force Majeure Event, the Facility is not operational) in each such Month;

the Monthly Return on Equity shall not be payable in respect of that Month and shall not be accrued or otherwise carried forward; and

(c) if, following the Commercial Operation Date, throughput from the Facility has fallen below 25% of Design Capacity for three consecutive Months by reason of an official or unofficial strike, lock-out or other labour action, protest or dispute of the employees of the Processor or the operator of the Facility, then the Monthly Return on Equity shall not be payable (and shall not be accrued or otherwise carried forward) in respect of any further consecutive Months where throughput from the Facility remains below 25% of Design Capacity by reason of an official or unofficial strike, lock-out or other labour action, protest or dispute of the employees of the Processor or the operator of the Facility.

13.6 Adjustment of Indexing

The Parties acknowledge that costs incurred by operators of facilities in Alberta similar to the Facility may escalate to an extent not represented by the indexes applicable pursuant to Schedule 10. Accordingly, where any element of the Monthly Operating Component is subject to indexing, then if escalation of costs for similar facilities in Alberta becomes substantially misaligned with the escalation represented by the application of such indexing, either Party may

require the other to engage in good faith negotiations for the purpose of bringing the indexing into alignment with actual increases or decreases in industry-wide operating costs in Alberta, subject to the following:

(a) the above process shall not be intended to, and shall not be premised upon, re-setting the Monthly Operating Component to reflect actual expenses or to otherwise establish a fully flow-through basis for operating costs;

(b) the above process shall be carried out in light of the mutual objective to ensure cost discipline while generally reflecting industry costs in Alberta; and

(c) if the Parties cannot agree on the extent, if any, to which the indexing requires adjustment or disagree on the means of adjusting the indexing, then either Party may refer the disagreement to the Dispute Resolution Procedure, and the disagreement shall be resolved having regard to clauses (a) and (b) above.

13.7 Adjustment of Initial Maximum Benchmark Operating Costs

The Initial Maximum Benchmark Operating Costs are intended as the foundation for a hard cap on Benchmark Operating Costs (as defined in Schedule 10 – Cost of Service Toll). APMC acknowledges the possibility that, despite due care taken by NWU at the time of estimating operating costs as reflected in the NWU Proposal, circumstances not anticipated by NWU may affect the accuracy of the estimate set out in the NWU Proposal (in this Section 13.7, the "**NWU Proposal Estimate**") and reflected in the Initial Maximum Benchmark Operating Costs. APMC further acknowledges that, at the time of Project Sanction and in light of the Pre-Sanction Engineering Design, a more accurate estimate of Benchmark Operating Costs (in this Section 13.7, the "**Project Sanction Estimate**") can be prepared and is required by Section 5.3 to be prepared by the Processor. Accordingly, upon delivery to it of the Project Sanction Estimate and upon request by the Processor, APMC shall in a timely manner give consideration to agreeing to adjust the Initial Maximum Benchmark Operating Costs (and each component thereof), subject to and in accordance with the following:

(a) subject to clauses (b), (c), (d) and (e), APMC shall be obligated to agree to the adjustment only to the extent that the Processor establishes to the satisfaction of APMC, acting reasonably, that the NWU Proposal Estimate, by reason of circumstances reasonably not anticipated or expected at the time of the NWU Proposal Estimate, is lower (adjusted so as to be compared in constant dollars) than industry average costs are likely to be at the Commercial Operation Date;

(b) APMC will not be expected to consider an adjustment if the request by the Processor is not fully supported by pertinent information and documentation, including such supplementary information or documentation as APMC may reasonably request;

(c) APMC will not be expected to consider an adjustment by reason that the NWU Proposal Estimate was premised on unreasonably optimistic assumptions;

(d) APMC will not be expected to consider an adjustment by reason of an expected increase in Benchmark Operating Costs resulting from design changes made in the course of the Pre-Sanction Engineering Design, unless in the circumstances such design changes are likely to be of net benefit to APMC;

(e) APMC will not under any circumstances consider an aggregate adjustment in excess of 10% of the Initial Maximum Benchmark Operating Costs; and

(f) the reasonableness of APMC's response under clause (a) shall be subject to the Dispute Resolution Procedure.

13.8 No GST

APMC represents and warrants that (i) as an agent of the Crown it is not, and will not become, legally obligated to pay GST in respect of any goods or services procured by APMC, and (ii) no amount payable by APMC under this Agreement is subject to GST. For so long as such representation remains accurate, no GST shall be added to the Monthly Cost of Service Toll, provided that GST on costs and expenses incurred by the Processor, to the extent such GST would not otherwise be recoverable by the Processor through input tax credits, will be included in the Monthly Cost of Service Toll to the extent contemplated in Schedule 10.

14. PAYMENT

14.1 Monthly Statement of Net Amount Payable

On or as soon as practicable after the 10th day of each Month from and including the Month in which the Toll Commencement Date occurs, the Processor shall produce and provide to APMC in an electronic form acceptable to APMC, acting reasonably, a statement (the "**Monthly Statement**") setting out, in respect of the previous Month (except to the extent that any amounts included pursuant to clause (h) below are other than in respect of the previous Month), the following:

(a) the amount of Monthly Aggregate Revenues, and APMC's 75% share of the Monthly Aggregate Revenues (subject to the amount referred to in clause (b));

(b) the amount under Section 12.5(a) or under Section 12.5(b) in respect of the YTD Excess Capacity Amount;

(c) the Monthly Cost of Service Toll;

(d) costs, if any, in respect of Make-Up Crown Supply, in accordance with Section 3.7(a);

(e) the amount, if any, payable by APMC pursuant to Section 8.3 for Diluent purchased in that previous Month;

(f) the Monthly Equalization Amount, as defined and determined under Section 9.1;

(g) the Monthly Optimization Amount, as defined and determined under Section 9.5;

(h) any other amounts owing by either Party to the other under any provision of this Agreement (including under Section 3.3 or Section 14.2 or pursuant to Schedule 10) that are required by such provision to be included in the Monthly Statement, itemized by reference to the relevant Section or provision of Schedule 10;

(i) reasonable supporting calculations and information in respect of the amounts in clauses (a) through (h), including sufficient detail to enable APMC to readily ascertain:

(i) all components of and all calculations comprising the Monthly Cost of Service Toll;

(ii) the cost of marketing, transportation and storage of the Refined Products;

(iii) revenues from each stream or product category of Refined Products; and

(iv) any other category of information from time to time reasonably requested by APMC for purposes of complying with requirements for its financial reporting; and

(j) based on the amounts pursuant to clauses (a) through (h), the net amount payable by the Processor to APMC, or by APMC to the Processor, in respect of that previous Month.

14.2 Estimates and Adjustments

Where any information required for preparation of the Monthly Statement is unavailable to the Processor at the time the Monthly Statement is required to be delivered, the Processor shall prepare the Monthly Statement using commercially reasonable estimates based on the best information then available, and shall thereafter, upon the information becoming available, make any necessary adjustments in the next following Monthly Statement.

The Processor shall, upon becoming aware of any error in any Monthly Statement, immediately advise APMC, and shall in the next following Monthly Statement include such adjustments as are required to rectify the error.

14.3 Payment of Net Amount Payable

Not later than the 25th day of each Month (or, if the 25th Day of a particular Month is not a Business Day, then the next following Business Day), the net amount payable in respect of the previous Month shall be paid as follows:

(a) if the net amount is payable to APMC, the Processor shall have instructed the trustee of the Trust Account to make such payment on such date to APMC by wire transfer to such bank account as APMC from time to time designates by notice to the Processor and the trustee; and

(b) if the net amount is payable by APMC, by payment by APMC to the trustee of the Trust Account established pursuant to Section 11.1, in such manner as the trustee may direct.

14.4 Review by APMC

If APMC, following review of the calculations and supporting information received pursuant to Section 14.1 (which review process may include seeking clarification from or inquiries to the Processor) wishes to dispute the net amount payable, it shall provide the Processor with notice of its intent to do so; provided that if the calculation provided by the Processor indicates a net amount payable by APMC, then APMC shall, by the date required by Section 14.3, pay in accordance with Section 14.3(b) such portion of the net amount claimed by the Processor as APMC does not in good faith dispute.

14.5 Forecasting of Net Amount Payable

The Processor undertakes to provide, as part of the Monthly reporting under Section 19.2, forecasts on a Monthly basis of future net amounts payable under Section 14.1, and undertakes to prepare such forecasts using reasonable skill and care and suitable due diligence, having regard to the importance of the monthly forecasts to APMC for budgetary purposes, including budgetary purposes of the Crown; provided however that the Processor shall not incur liability to APMC for losses resulting from inaccuracies in forecasts, except to the extent that such inaccuracies are caused by gross negligence or wilful misconduct on the part of the Processor.

14.6 Default Interest

Any amount payable by either Party to the other under this Agreement and not paid when due shall bear interest at the prime rate (as defined below) plus 2% per annum, from the date due to and including the date of payment; and for such purpose "prime rate" shall mean, for any Day, the annual rate of interest announced by the Canadian Imperial Bank of Commerce (or its successor) as its prime lending rate on commercial loans in Canada and payable in Canadian dollars for such Day.

14.7 Foreign Exchange

The Parties agree that the Monthly Statement shall be exclusively stated in Canadian dollars, and to that end agree as follows:

(a) any amounts paid to third parties by the Processor in United States dollars shall be converted as of the dates of such payments using the applicable Exchange Rate on such

dates or, if the Processor converted Canadian dollars for the purpose of paying such amounts, at the actual conversion rate;

(b) any amounts payable (but not yet paid, as of the date of the Monthly Statement) to third parties by the Processor in currency other than Canadian dollars shall be converted using the Exchange Rate as of the date of the Monthly Statement, subject to subsequent adjustment pursuant to Section 14.2 based on actual conversions when such amounts are subsequently paid; and

(c) any amounts received by the Processor from third parties in currency other than Canadian dollars shall be converted as follows:

(i) to the extent that such amounts have been converted by the Processor into Canadian dollars, the actual conversion rate shall be applied; and

(ii) any amounts received by the Processor and not converted into Canadian dollars as of the date the Monthly Statement is prepared shall be converted using the Exchange Rate on that date, subject to subsequent adjustment pursuant to Section 14.2 if such amounts are subsequently converted into Canadian dollars.

15. BEYOND END OF TERM

15.1 Evergreen Renewal Option

APMC shall have successive options, exercisable on not less than two years prior notice, to extend this Agreement beyond the Original Term, in accordance with the following:

(a) each extension (each, a "**Renewal Term**") shall be for a term of five years;

(b) for the purposes of Schedule 10 – Cost of Service Toll, the "**Monthly Incentive Fee**" shall be 25% of the "**Net Profits**" for the Month, as those expressions are defined and those amounts are determined by that Schedule;

(c) for the purposes of Schedule 10, the "**Annual Incentive Fee**", as that expression is defined by that Schedule, shall no longer be applicable;

(d) for the purposes of Schedule 10, and in particular for the purposes of the Benchmark Operating Costs Rebate as determined under Schedule 10, if the Processor so requests at least 90 Days before the commencement of the Renewal Term, the Yearly Maximum Indexed Benchmark Operating Costs shall be reset for the first Year of each Renewal Term in accordance with the following:

(i) each component of the Yearly Maximum Indexed Benchmark Operating Costs shall be reset to the actual current relevant operating costs (taking into account a four-year operating cycle) in respect of the Facility; provided however that, to the extent the aggregate of the average comparable operating costs for

similar facilities in Alberta (taking reasonably into account all relevant differences between the Facility and such other facilities) are lower than the actual corresponding costs incurred in respect of the Facility, the aggregate of the reset Yearly Maximum Indexed Benchmark Operating Costs will be adjusted to reflect such lower costs (with a corresponding adjustment to the relevant components thereof);

(ii) the Processor must provide to APMC, at least 90 Days before the commencement of the Renewal Term, a concise statement of relevant actual costs during each of the preceding three Years and, to the extent available, the current Year, together with an estimation and analysis of average operating costs for similar facilities in Alberta, based on information then reasonably available to the Processor;

(iii) the Processor and APMC shall in good faith and acting reasonably having regard to subclauses (i) and (ii) endeavour to agree upon the reset Yearly Maximum Indexed Benchmark Operating Costs at least 30 Days before the commencement of the Renewal Term, failing which the matter shall be referred to the Dispute Resolution Procedure for determination;

(iv) the reset shall apply notwithstanding the provisions of Schedule 10; and

(v) after the first Year of a Renewal Term, the reset Yearly Maximum Indexed Benchmark Operating Costs shall be escalated for subsequent Years during the Renewal Term, in accordance with the provisions of Schedule 10;

(e) this renewal option shall continue to apply during and extend to every Renewal Term; and

(f) this renewal option may be exercised by APMC for all or any portion of the Crown Capacity Entitlement, provided that if the option should be exercised during any Renewal Term for less than the full amount of the 37,500 BPD of Bitumen, then:

(i) there shall be a corresponding reduction in the 75% of the Available Bitumen Processing Capacity;

(ii) the determination of Excess Capacity shall be amended to reflect such reduction; and

(iii) subsequent Renewal Terms shall only be available in respect of such reduced portion of the Crown Capacity Entitlement.

15.2 Sustaining Capital in Last Five Years

For the purposes of Schedule 10 – Cost of Service Toll, and notwithstanding any provision of that Schedule, "**Benchmark Sustaining Capital Expenses**", as that expression is defined and

that amount is determined by that Schedule, shall only be included in the Monthly Operating Component during the last five years of the Original Term or during any Renewal Term to the extent that an independent engineer, mutually selected by the Parties acting reasonably, confirms that the sustaining capital or portion thereof is required to be expended in order to meet Good Industry Practices in respect of the Facility; provided that this provision shall not apply if APMC has provided notice of exercise of its option for an initial Renewal Term or a further Renewal Term, as the case may be. In the event that APMC elects not to extend the Original Term or exercise a further renewal option resulting in a successive Renewal Term, as the case may be, then the Benchmark Sustaining Capital Expenses shall be prorated for the remaining period of the Term or the then current Renewal Term, as the case may be, based on the expected useful life of the sustaining capital item, determined in a manner consistent with generally accepted accounting principles.

15.3 Assignment of Renewal Option

Notwithstanding Section 27.4, APMC may at any time assign the successive renewal options under Section 15.1 in whole to any third party with demonstrated Bitumen supply and financial capacity to assume and perform the obligations of APMC under this Agreement as so extended; and may similarly assign the successive renewal options under Section 15.1 in part or to more than one third party, but only with the consent of the Processor, such consent not to be unreasonably withheld.

16. PHASE 2

The Parties acknowledge that although the NWU Proposal contemplated a Bitumen refinery constructed in three "Phases", each with processing capacity of 50,000 BPD of Bitumen, this Agreement and the Project and the Facility apply exclusively to Phase 1. Although the Parties intend that Phase 2 will proceed and be reflected in a further agreement similar to this Agreement, this Agreement does not bind or commit either Party to proceed with Phase 2. The Parties acknowledge their mutual intent to pursue an agreement to proceed with Phase 2 only if both Parties agree that Phase 2 makes economic sense and is in their mutual interests, and can be financed at a reasonable cost of capital. The Processor shall be entitled to proceed with Phase 2 with any third party only if the Processor has first invited APMC to proceed with Phase 2 and afforded APMC a reasonable opportunity to negotiate an agreement in respect of Phase 2.

The Parties acknowledge their mutual intent, without intending thereby to become legally bound by such acknowledgement, that in the event that the Parties agree to proceed with Phase 2, then the provisions of this Agreement shall be extended or duplicated so as to apply to Phase 2, with all such changes as are necessary to the context or are otherwise practical in light of the then current circumstances, including changes to reflect the absence of Excess Crown Supply in relation to Phase 2.

17. INSURANCE

17.1 Insurance Requirements

The Processor shall maintain in place all of the insurance specified in Schedule 11 – Insurance Requirements as being required during the respective periods described in that Schedule; and where applicable under that Schedule shall ensure that its contractors and subcontractors maintain in place such specified insurance. All such insurance shall:

(a) be primary and shall not require the pro rata sharing of any loss by any insurer of APMC; and

(b) be endorsed to provide APMC with 30 Days advance written notice of (i) material change restricting coverage (with the exception of automobile insurance), or (ii) cancellation.

The Processor shall consult with APMC in regard to all aspects of negotiating and procuring from time to time the insurance specified in Schedule 11.

17.2 Waiver of Subrogation

The Processor shall, to the extent that any of its property is required by Schedule 11 to be insured, waive any right of recourse against APMC in regard to any insured loss or damage to such property, and shall make its insurers aware of such waiver.

17.3 Evidence of Insurance

The Processor shall deliver or cause to be delivered to APMC as soon as reasonably practicable certified copies of all insurance policies evidencing the insurance required by Schedule 11 to be obtained and maintained by the Processor or its contractors or subcontractors, including without limitation certified copies of policies evidencing the renewal, extension or replacement of expiring policies. Delivery to and examination by APMC of any policy of insurance or certificate or other evidence of insurance shall not relieve the Processor of its obligation to at all times maintain the insurance required by Schedule 11 or in any respect operate as a waiver by APMC.

17.4 APMC May Insure

If the Processor at any time fails to furnish APMC with evidence of all required insurance as required by Section 17.3, or if subsequent to providing evidence of any insurance the Processor's insurance is subject to a material change restricting coverage or is cancelled, APMC may upon five Business Days' notice to the Processor obtain the required insurance not so evidenced or so restricted or cancelled, and in that event shall be entitled to set off the cost of such insurance against the Monthly Cost of Service Toll.

17.5 Uninsurability

Notwithstanding Section 17.1 and Schedule 11 (but without derogating from or altering the meaning of "Flow-Through Operating Costs" in Schedule 10), the Processor shall not be obligated to maintain insurance against a risk that has become uninsurable. A risk shall be considered to have become uninsurable only if:

(a) insurance against that risk is generally not available from reputable insurers in good standing to operators of upgraders and refineries; or

(b) the terms and conditions generally required by insurers for insuring such risk are such that the risk is generally not being insured against by operators of upgraders and refineries;

and shall only be considered an uninsurable risk during such period when the Processor has not obtained insurance against the risk.

Upon the Processor becoming aware of an uninsurable risk, the Processor shall in a timely manner give APMC notice of the uninsurable risk, and provide all details as may be reasonably requested by APMC.

17.6 Use of Insurance Proceeds

All insurance proceeds received or receivable by the Processor from insurance that was required by Schedule 11 in respect of damage to or destruction of the Facility shall be used to repair or rebuild the Facility, subject to the following:

(a) if the Facility is damaged by an insured against peril but the cost to repair the damage appears likely to exceed the limit of the insurance (for which purpose the limit of the insurance shall be deemed not to be less than the maximum foreseeable loss, as determined in accordance with applicable insurance industry practices), the Processor shall obtain a detailed cost estimate for the required repairs;

(b) if the detailed estimate obtained pursuant to clause (a) confirms that the cost of the repairs is likely to exceed such limit of the insurance, APMC may within 30 Days of receiving such confirmation by notice to the Processor terminate this Agreement; and

(c) if in the circumstances described in clause (b) APMC does not provide such notice terminating this Agreement, then APMC shall not be entitled to terminate this Agreement for any reason arising directly in relation to the damage to or destruction of the Facility.

17.7 APMC and CNR Difference of Opinion

Where, either prior to the Execution Date or at any time thereafter and until the end of the Term, a difference of opinion as between APMC and CNR is reflected in any communications in

writing involving APMC and CNR, in regard to the deductibles, coverages, exclusions or limits of insurance that ought to be set out in Schedule 11 as required insurance, and to the extent that the coverage that APMC considers ought to be required will have a higher premium cost (in this Section 17.7, the "**Incremental Premiums**") than the coverage that CNR considers ought to be required, then APMC shall be solely responsible for the Incremental Premiums, subject to and in accordance with the following:

(a) APMC shall be entitled to direct, by inclusion in Schedule 11 (for which purpose the Processor agrees to any required amendment to Schedule 11) the coverages that will generate the Incremental Premiums;

(b) subject to clauses (c) and (d), but notwithstanding any provision of this Agreement or Schedule 10 – Cost of Service Toll, the Incremental Premiums shall be costs allocated 100% (rather than 75%) to APMC for purposes of the Monthly Cost of Service Toll;

(c) clause (b) shall have application only to the extent that the Incremental Premiums reflect a genuine difference of opinion between APMC and CNR, with CNR acting in good faith and generally in alignment with its ordinary business practices in relation to insurance matters, that is reflected in written communications between APMC and CNR or persons on their behalf; and

(d) in respect of insurance required to be carried during the period to and including the Commercial Operation Date, a genuine difference of opinion between APMC and CNR shall be considered to exist only to the extent it is reflected in written communications prior to the Execution Date between APMC and CNR or persons on their behalf.

For greater certainty, APMC shall not be entitled under this Section 17.7 to any credit or advantage relative to CNR in relation to the application or use of insurance proceeds by the Processor, as a result of having paid 100% of the Incremental Premiums.

17.8 Settlement of Claims

If the Processor proposes to pay an amount exceeding $50,000 in settlement of a claim (whether arising in contract or tort) made against it by a third party, where the amount of such payment would constitute Flow-Through Operating Costs under Schedule 10 – Cost of Service Toll, the Processor must first obtain APMC's approval for the proposed settlement, which approval shall not be unreasonably withheld or delayed.

18. REPRESENTATIONS

18.1 Representations by Processor

The Processor represents to APMC that, as of the Execution Date:

(a) it has made available to APMC all material information in its possession or the possession of the partners that comprise the Processor or their respective affiliates relating to the design, estimated timelines and estimated cost for the Facility (other than commercially sensitive or confidential information or copies of presentations to management or boards of directors, provided such exclusions do not result in disclosed information being misleading in any material respect);

(b) the Processor has all requisite capacity, power and authority to enter into and perform its obligations under this Agreement; and

(c) this Agreement has been duly authorized on behalf of the Processor, and upon execution and delivery constitutes a legal, valid and binding obligation of the Processor, and each of the partners that comprise the Processor are liable for the obligation.

18.2 Representations by APMC

APMC represents to the Processor that, as of the Execution Date:

(a) APMC has all requisite capacity, power and authority to enter into and perform its obligations under this Agreement;

(b) this Agreement has been duly authorized on behalf of APMC, and upon execution and delivery constitutes a legal, valid and binding obligation of APMC; and

(c) APMC is by statute an agent of the Crown for all purposes, such that all obligations of APMC under this Agreement constitute legal, valid and binding obligations of the Crown.

19. OTHER OBLIGATIONS

19.1 Standard of Care

The Processor undertakes, in respect of the design, construction and operation of the Facility and the marketing of Refined Products, as follows:

(a) it has or will obtain and retain all required expertise, including suitably qualified personnel; and

(b) it will bring to bear a degree of care, skill and diligence commensurate with Good Industry Practices.

19.2 Reporting

The Processor shall provide the following reporting, in each case in an electronic format acceptable to APMC, acting reasonably, and where feasible, in a format that facilitates system-to-system communication:

(a) prior to the Commercial Operation Date, a report prior to the end of each Month during the Term setting out in respect of the previous Month:

(i) an update on the status of engineering design or construction, as the case may be;

(ii) an update on any changes to projected Facility Capital Costs and Project timelines identified in Schedule 2;

(iii) any other material developments in relation to the Project;

(b) from and after the Commercial Operation Date, prior to the end of each Month during the Term and for the Month following the end of the Term, either in addition to or combined with the Monthly Statement required under Section 14.1, a report setting out in respect of the previous Month:

(i) a summary of trading activities undertaken for optimization of Feedstock purposes pursuant to Section 9.3;

(ii) the kinds and volumes of Refined Products produced;

(iii) performance relative to the Performance Benchmarks – Marketing of Refined Products established by Schedule 9 (including any explanation required by Section 10.6; and

(iv) the forecasting required by Section 14.5;

(c) such other periodic reporting as APMC may from time to time reasonably require;

(d) both before and after the Commercial Operation Date, a response, based on information reasonably available to it, delivered in a timely manner (and in any case within 10 Business Days) to any inquiry reasonably made by APMC in relation to any aspect of the Facility or this Agreement or the business operations of the Processor;

(e) immediate notice of any circumstance of credit or counterparty default (or anticipated default) in relation to trading activities for optimization of Feedstock purposes pursuant to Section 9.3 or in relation to the sale of Refined Products; and

(f) quarterly and annual financial statements of the Processor, as such quarterly and annual financial statements become available to the Processor;

provided that, to the extent that such reporting includes commercially sensitive information, that information may be delivered to APMC expressly in confidence and marked as confidential.

19.3 Records, Audit and Inspection

The Processor shall maintain in an appropriate form full accounting and other records relating to performance by it of its obligations under this Agreement (in this Section 19.3, the "**Records**") for a period of six Years following the Year to which such Records relate.

During the Term and for a period of one Year thereafter, the Processor shall keep the retained Records available for inspection by APMC (including the Auditor General of Alberta or, subject to appropriate assurance of confidentiality, any other representative designated by APMC for that purpose) at the Processor's offices, during normal business hours and upon reasonable notice, if APMC acting reasonably has specific concerns regarding the Processor's compliance with this Agreement; and the Processor shall, upon being advised by APMC of such specific concerns and APMC's request to inspect pertinent Records, reasonably accommodate and facilitate such inspection.

The Processor shall reasonably accommodate an annual audit of the Records to be conducted by APMC at the expense of APMC; provided that such annual audit:

(a) must be commenced no later than 26 Months following the end of the pertinent Year;

(b) must be completed within 12 Months of its commencement;

(c) must be undertaken at the Processor's offices during the Processor's normal business hours; and

(d) must be carried out by auditors subject to the same confidentiality requirements as apply to APMC under this Agreement.

Apart from the above right of inspection and the above right of audit, the Records shall be in the exclusive custody and control of the Processor, and APMC shall have no general right to the Records.

19.4 Material Changes

Without limiting any other obligation of the Processor under this Agreement, the Processor shall be obligated to consult with APMC before implementing any material changes (other than changes made on a temporary basis to address a situation of emergency) to the Project or to the operation of the Facility that could reasonably be regarded as material or potentially material to the interests of APMC under this Agreement. Such duty to consult with APMC shall not be construed as providing, and shall not provide, APMC with any general right of shared control over or any right of veto in respect of the Project or operation of the Facility.

19.5 Non-Arm's Length Transactions

The Processor shall transact all Non-Arm's Length Transactions at Fair Market Value, and shall

report each Non-Arm's Length Transaction to APMC either prior to or immediately after entering into such transaction. The onus shall be on the Processor to demonstrate that:

(a) each Non-Arm's Length Transaction was entered into at Fair Market Value; and

(b) where a particular transaction not reported as a Non-Arm's Length Transaction is questioned by APMC, that the transaction was at Arm's Length.

This Section 19.5 shall not apply to any security granted by the Processor to CNRL in connection with the CNRL Backstop Commitment.

20. INDEMNITIES

20.1 Indemnification by Processor

Notwithstanding Section 22.2, the Processor shall indemnify and hold harmless APMC and the Crown and their respective officials and employees against all damages, costs and expenses arising from third party claims (including the reasonable cost of defending third party claims, on a solicitor and client basis), to the extent that such claims arise as a result of:

(a) the Processor's breach of any provision of this Agreement; or

(b) the negligence or other tortious conduct of the Processor or any official, director, officer, employee, agent or contractor of the Processor in relation to the Project or the carrying out of this Agreement.

20.2 Indemnification by APMC

APMC shall indemnify and hold harmless the Processor and its constituent partners and their respective officials and employees against all damages, costs and expenses arising from third party claims (including the reasonable cost of defending third party claims, on a solicitor and client basis), to the extent that such claims arise as a result of:

(a) APMC's breach of any provision of this Agreement; or

(b) the negligence or other tortious conduct of APMC or any official, director, officer, employee, agent or contractor of APMC in relation to the Project or the carrying out of this Agreement.

20.3 Conduct of Indemnified Claims

Where either Party is entitled to indemnification under Section 20.1 or Section 20.2 (in this Section 20.3, an "**Indemnified Party**") and determines that an event has occurred giving rise or that may give rise to a right of indemnification in favor of the Indemnified Party (in this Section 20.3, an "**Indemnity Claim**"), the Indemnified Party shall promptly notify the Party obligated to provide indemnification (in this Section 20.3, the "**Indemnifying Party**") of such Indemnity

Claim (in this Section 20.3, a "**Claim Notice**") describing in reasonable detail the facts giving rise to the claim for indemnification, and shall include in such Claim Notice (if then known) the amount or the method of computation of the amount of such Indemnity Claim; provided that the failure of an Indemnified Party to give timely notice thereof shall not affect any of its rights to indemnification nor relieve the Indemnifying Party from any of its indemnification obligations except to the extent the Indemnifying Party is materially prejudiced by such failure.

Any obligation to provide indemnification under this Agreement shall be subject to the following:

(a) Upon receipt of a Claim Notice, the Indemnifying Party shall, at its cost and expense and upon notice to the Indemnified Party within 30 Days of its receipt of such Claim Notice (or such shorter time period as the circumstances warrant), assume and control the defence, investigation, compromise and settlement of such Indemnity Claim, including the management of any proceeding relating thereto, and shall employ and engage legal counsel acceptable to the Indemnified Party, acting reasonably; provided that if there exists a material conflict of interest (other than as a result of the obligation to indemnify) or if the Indemnified Party has been advised by counsel that there may be one or more legal or equitable defences available to it that are different from or additional to those available to the Indemnifying Party that in either case would make it inappropriate for the same counsel to represent both the Indemnifying Party and the Indemnified Party, then the Indemnified Party shall be entitled to retain its own counsel at the cost and expense of the Indemnifying Party (except that the Indemnifying Party shall not be obligated to pay the fees and expenses of more than one separate counsel, other than local counsel, for all Indemnified Parties, taken together);

(b) The Indemnified Party may, at its own cost and expense, participate in the defence of the Indemnity Claim, and shall cooperate with the Indemnifying Party in such efforts and make available to the Indemnifying Party all witnesses, records, materials and information available to the Indemnified Party, as may be reasonably required by the Indemnifying Party. The Indemnifying Party shall keep the Indemnified Party reasonably informed of the progress of the defence of the Indemnity Claim;

(c) If the Indemnifying Party, contrary to clause (a), fails to assume and undertake in a timely manner the defence and investigation of the Indemnity Claim, then:

(i) the Indemnified Party shall have the right to undertake the defence, investigation, compromise and settlement of the Indemnity Claim on behalf of, and at the cost and expense of and for the account and risk of the Indemnifying Party;

(ii) the Indemnifying Party shall cooperate with the Indemnified Party in such efforts; and

(iii) the Indemnified Party will keep the Indemnifying Party reasonably informed of the progress of the defence of the Indemnity Claim; and

(d) The Indemnifying Party shall not, without the written consent of the Indemnified Party:

(i) settle or compromise any Indemnity Claim or consent to any final judgment that does not include as an unconditional term thereof the delivery by the claimant or plaintiff of a written release or releases from all liability in respect of such Indemnity Claim of the Indemnified Parties affected by such Indemnity Claim; or

(ii) settle or compromise any Indemnity Claim if the settlement imposes equitable remedies or material obligations on the Indemnified Party other than financial obligations for which such Indemnified Party will be indemnified hereunder; and

(e) No Indemnity Claim that is being defended in good faith by the Indemnifying Party shall be settled or compromised by the Indemnified Party without the written consent of the Indemnifying Party.

21. FORCE MAJEURE AND DISCRIMINATORY CHANGE OF LAW

21.1 Force Majeure Event Defined

"**Force Majeure Event**" means any:

(a) war (whether declared or not), invasion, armed conflict, interference by military authorities, act of foreign enemy, invasion, revolution, terrorist act, acts of sabotage, or civil disobedience;

(b) fire or explosion or contamination by ionizing radiation;

(c) epidemic or quarantine restriction;

(d) extreme weather events or extreme acts of nature, involving wind, rain, snow, ice, temperature or other natural phenomena not of a reasonably expected intensity or duration for the location of the Facility, including lightning (and any fires or explosions caused thereby), tornadoes, severe storms, floods, washouts, earthquakes and landslides;

(e) official or unofficial strike, lock-out or other labour action, protest or dispute (collectively in this clause (e), an "**industrial action**") of provincially negotiated building trade unions generally affecting the oil and gas industry in Alberta or a significant sector thereof, but not including industrial action specific to the Facility or industrial action that affects only the employees of the Processor or any of the partners who comprise the Processor or their respective contractors or subcontractors;

(f) shortage of materials or interruption of utilities, arising directly as a result of a force majeure provision in a contract entered into by the Processor with a third party,

provided the force majeure provision in such contract is commercially reasonable and generally consistent with industry practice; or

(g) physical unavailability (other than for commercial or contractual reasons) of previously available pipeline or rail capacity, either upstream or downstream of the Facility;

that prevents, delays or interrupts the performance of any obligation of the Processor under this Agreement, other than any obligation to pay any money, and provided such event does not occur by reason of:

(h) the negligence of the Processor (or those for whom it is in law responsible); or

(i) any act or omission of the Processor (or those for whom it is in law responsible) that is in breach of the provisions of this Agreement.

21.2 Effect of Force Majeure Event

To the extent that and for so long as the Processor is prevented by the Force Majeure Event from performing any obligation under this Agreement, then the Processor is relieved from any liability or consequence (except for the consequences specified by Sections 13.4(b) and 13.5(a) and any consequence that expressly arises under any provision of this Agreement other than any provision in Section 22 or Section 23) under this Agreement arising from its inability to perform or delay in performing that obligation.

No non-performance of any obligation under this Agreement shall give rise to a right to terminate this Agreement, to the extent that and for so long as performance of the obligation is prevented by the Force Majeure Event.

21.3 Procedure on Force Majeure Event

Upon the Processor becoming aware of the occurrence of a Force Majeure Event that may prevent the Processor from performing any obligation under this Agreement, the Processor shall in a timely manner give APMC notice of the Force Majeure Event, including reasonable details of the anticipated effect of the Force Majeure Event upon performance of this Agreement, and thereafter the Parties shall on an ongoing basis consult with each other with a view to remedying or mitigating the Force Majeure Event and, if applicable, rebuilding the Facility or otherwise addressing the consequences of the Force Majeure Event.

21.4 Discriminatory Change of Law

If the Government of Alberta enacts or amends any Applicable Law in such manner as to create a discriminatory effect on the Processor (including any adverse change to or affect on the assets, business operations or financial condition of the Processor) in relation to this Agreement or the Facility, then:

(a) APMC shall indemnify the Processor against the net effect of such enactment or amendment (which for greater certainty shall mean putting the Processor in the same position as if such enactment or amendment had not occurred); and

(b) to the extent that such enactment or amendment prevents the Processor from complying with any obligation of the Processor under this Agreement, such failure to comply with that obligation shall be deemed not to be a breach of this Agreement and shall not give rise to any right to terminate this Agreement under any provision of this Agreement;

provided that none of the following shall be construed as giving rise to such obligation to indemnify:

(c) any law of general application (which shall not include any enactment or amendment the effect or effects of which are principally directed at or principally borne by operators of Bitumen processing and refining facilities in Alberta or any subset thereof that includes the Processor); and

(d) any regulation, rule or order made by any regulatory agency, authority, tribunal, commission, board or institution (including for greater certainty the Energy Resources Conservation Board and any successor to it), unless such body is acting under or pursuant to an express direction, order, decision, decree, policy or guidance from the Government of Alberta that such body is required by law to follow.

22. DEFAULT AND REMEDIES

22.1 Default Defined Terms

In this Section 22 and for the purposes of Section 23, the following expressions have the following meanings:

"**APMC Default**" means any breach by APMC of any provision of this Agreement, including the material inaccuracy of any representation given by APMC in Section 18.2;

"**Incurable Default**" means a Processor Default or an APMC Default, as applicable, that is by its nature or by reason of prevailing circumstances incapable of being cured in all material respects, but does not include any Processor Default or APMC Default, as applicable, that is a failure to carry out a particular obligation by a particular date or within a particular period where it is possible to subsequently perform that obligation, albeit not by or within the relevant date or period;

"**Material Adverse Effect**" occurs when a Processor Default, alone or taken together with any other Processor Defaults of a similar nature:

(a) creates a material risk of significant liability to third parties on the part of APMC; or

(b) demonstrates a marked or persistent inability or unwillingness on the part of the Processor to adhere to its obligations or to a particular obligation under this Agreement;

and includes, without regard to clauses (a) and (b) above, any material breach by the Processor of:

(c) its obligations under Section 2.4 arising in the event of any amendment or waiver of the CNR Processing Agreement;

(d) its obligations to allow APMC access under Sections 7.3 and 8.4;

(e) its insurance obligations under Section 17;

(f) its reporting obligations under Section 19.2;

(g) its records and audit obligations under Section 19.3;

(h) its obligations in respect of assignment in Section 27.1 (in respect of which a purported assignment shall be regarded as a material breach, even if that assignment is ineffective as between the Parties); or

(i) its obligations in respect of change of control under Section 27.3;

where such material breach (or combination of material breaches in aggregate) has a material adverse effect upon APMC;

"**Notice of Processor Default**" means a notice provided by APMC to the Processor, specifying with reasonable particularity one or more Processor Defaults;

"**Operating Default**" means a Processor Default that is:

(a) a breach of its obligation set out in Section 19.1 (including in relation to any aspect of the design, construction and operation of the Facility or the transportation, optimization and marketing activities contemplated by this Agreement); or

(b) a breach of its obligations set out in any of Sections 4.4, 6.1, 7.1, 8.1, 8.2(b), 10.1 or 10.2;

but for greater certainty does not include a failure by the Processor to observe credit and counterparty risk policies adopted by the Processor under Section 8.5;

"**Processor Default**" means any breach by the Processor of any provision of this Agreement, including the material inaccuracy of any representation given by the Processor in Section 18.1.

22.2 Limitation on Right to Claim Damages

APMC shall not be entitled to claim, either as damages for breach of contract or in tort, against either the Processor or the operator of the Facility, damages arising from an Operating Default, except to the extent that such damages are attributable to:

(a) the gross negligence or wilful misconduct of the Processor or its officers, employees, agents or contractors; or

(b) a failure to cure in all material respects, to the extent not an Incurable Default, within the applicable cure period under Section 23.3(m), an Operating Default where the need for corrective action has been brought to the attention of the Processor by a Notice of Processor Default.

22.3 Exclusion of Double Recovery

Every right to claim damages or reimbursement under this Agreement shall be construed so that recovery is without duplication to any other amount recoverable under this Agreement, and shall not be construed in such manner as would allow a Party to recover the same loss twice.

22.4 Security on Facility

As security for the performance of the obligations of the Processor under this Agreement, including any obligation of the Processor to make any payment to APMC under any provision of this Agreement, the Processor shall grant to APMC a mortgage of all interests in real property now owned and hereafter acquired by the Processor in relation to the Project or the Facility, and shall grant to APMC a security interest in all present and after-acquired personal property of the Processor. To that end the Processor shall execute and deliver to APMC, concurrently with closing of the Debt Financing, one or more land mortgages (collectively, in this Section 22.4, the "**Land Mortgage**") and a general security agreement (in this Section 22.4, the "**GSA**"), in each case in form and substance acceptable to APMC, acting reasonably. The Land Mortgage and the GSA shall be in such form and have such terms and conditions as are reasonable having regard to all the circumstances, including such terms and conditions with respect to permitted encumbrances and accommodations as are customary having regard for the circumstances. All costs of registering the Land Mortgage and the GSA shall be paid by APMC.

If the Processor acquires any interests in real property after the Execution Date in relation to the Project or the Facility, the Processor shall notify APMC as soon as practicable after the acquisition has been finalized, including all pertinent details.

The Processor acknowledges and agrees that should the CNR Processing Agreement contain a provision equivalent to this provision, then notwithstanding registration of the Land Mortgage

and the GSA, APMC shall agree, and the Processor shall make arrangements with CNR so that CNR shall agree, that the Land Mortgage and the GSA granted to APMC shall rank *pari passu* with the equivalent security in favour of CNR, each of which shall be subordinate to the security granted to the providers of the Debt Financing and the Operating Line; and any proceeds resulting from realization under their equivalent security shall be allocated 75% to APMC and 25% to CNR, except to the extent that the respective claims of APMC and CNR being enforced under the security (including any claims for damages) are in a ratio different than 75:25.

APMC shall, as and from time to time requested by the Processor, enter into postponements of and intercreditor arrangements in respect of the Land Mortgage and the GSA in favour of the providers of the Debt Financing and the Operating Line; but the Land Mortgage and the GSA shall not otherwise be subject to any prior registered security interests other than operating leases, purchase money security interests and similar security that has been granted in the ordinary course of business.

APMC shall upon request provide a release of the Land Mortgage and the GSA granted to APMC over any land or other assets of the Processor that are utilized solely for any business of the Processor unrelated to the Facility; for which purpose "Phases" 2 and 3 contemplated by Section 16 shall be considered to be unrelated to the Facility but only to the extent that such Phases:

(a) will not use common infrastructure or equipment; and

(b) will be constructed on land that has been subdivided from the land on which the Facility has been constructed;

provided that, notwithstanding the foregoing, APMC shall upon request grant a release or postponement of the Land Mortgage and the GSA equivalent to any release or postponement granted by or on behalf of all of the providers of the Debt Financing at the time of and for the purpose of facilitating:

(c) proceeding with Phase 2 or, following completion of Phase 2, Phase 3; or

(d) the sale or use of assets not used in connection with the operation of the Facility.

22.5 Removal of Operator

Without limiting any rights APMC may exercise under the terms of the security to be granted to APMC under Section 22.4, APMC shall be entitled to assume responsibility for operating the Facility only in the following circumstances and subject to the following provisions:

(a) If APMC believes in good faith that the Processor has failed, on a sustained and material basis, to comply with its obligations under Section 19.1, APMC may provide the Processor with written particulars of the alleged breach. The Processor shall respond in writing within 15 Days of receiving such notice whether it accepts or rejects APMC's allegations.

(b) If the Processor accepts the allegations set out in a notice provided under clause (a), it shall as soon as practical in the circumstances, but in any event within 15 Days of its receipt of such notice, provide APMC with an action plan (in this Section 22.5, the "**Action Plan**") which specifies the steps the Processor plans to take to promptly and completely remedy its breach of its obligations under Section 19.1. The Action Plan may provide that further reasonable investigation, study and analysis of the alleged breach is required, provided that any such investigation, study or analysis shall be completed within a reasonable period of time, having regard to the nature of the breach of its obligations under Section 19.1 and its impact on APMC, and in any case shall be completed within 30 Days. During the period that the Action Plan is being developed, the Processor shall continue to use all reasonable efforts to mitigate the impact upon APMC of such admitted breach of its obligations under Section 19.1.

(c) Where the Parties have been unable to agree as to whether APMC's allegations as set out in a notice provided under clause (a) are substantiated, or where APMC is not satisfied with the Action Plan, the Parties shall refer the matter to the Dispute Resolution Procedure.

(d) In an arbitration commenced pursuant to clause (c), the arbitrator shall determine whether the Processor has failed to meet the standards in Section 19.1 and whether such failure has resulted in a material adverse effect upon APMC, and if so the changes the Processor must make in the operation of the Facility in order to comply with its obligations under Section 19.1. If it is determined at arbitration that the Processor has met its obligations under Section 19.1 then APMC's rights in respect of the current proceeding shall terminate and APMC may only exercise any further rights under this Section 22.5 upon commencement of a new proceeding in respect of an alleged failure by the Processor for other than the failure alleged in the original arbitration.

(e) Where, pursuant to clause (d), the arbitrator has determined that the Processor has failed to meet its obligations under Section 19.1 and has prescribed changes to be undertaken, the Processor shall immediately commence and continue to implement the changes prescribed by the arbitrator.

(f) If APMC, acting reasonably, is of the view that the Processor has deviated in a material way from the changes prescribed by the arbitrator under clause (d) (other than as a result of a Force Majeure Event or a discriminatory change of law as described in Section 21.4 or deviations otherwise caused by APMC, or with APMC's consent), APMC may apply to the arbitrator for a determination of such material deviation and such a determination shall be conclusively deemed proof of a material failure to act in accordance with its obligations under Section 19.1.

(g) If, following a determination by the arbitrator pursuant to clause (f) that the Processor has deviated in a material way from the changes prescribed by the arbitrator under clause (d);

(i) CNR (or an affiliate) has not assumed responsibility for operating the Facility; and

(ii) no person has been appointed by the Lender Agent pursuant to any debt instruments under any Debt Financing to assume responsibility for operating the Facility;

APMC shall be entitled to assume responsibility for, or to appoint a person to be responsible for, the operation of the Facility for and on behalf of the Processor.

(h) If APMC has assumed responsibility for the operation of the Facility pursuant to clause (g):

(i) the Processor shall nevertheless be liable to APMC for any damages arising in connection with any Processor Default as contemplated in, and subject to the limitations contained in, this Section 22;

(ii) the Processor shall be relieved of its obligations under this Agreement in so far as such obligations have been assumed by APMC or its designate; and

(iii) APMC shall continue to be responsible for payment of the Monthly Cost of Service Toll, provided that the Operating Component shall not include any expenses incurred by APMC in connection with the operation of the Facility by it or its designate.

(i) The remedies under this Section 22.5 shall not apply in respect of a Processor Default that is an Incurable Default.

22.6 Exclusion of Consequential Damages

Notwithstanding anything contained in this Agreement, neither Party will be liable under this Agreement or under any cause of action relating to the subject-matter of this Agreement for any consequential, indirect, incidental, punitive or exemplary damages.

23. TERMINATION

23.1 Exclusivity of Termination Provisions

Neither Party shall have any right to terminate this Agreement except as expressly set out in Sections 5.5, 6.5, 6.6, 17.6, 23.3, 23.4 and 23.5; and without limiting the generality of the foregoing neither Party shall in any event be entitled to terminate this Agreement on the basis of fundamental breach.

23.2 Direct Lender Agreement

All rights to terminate this Agreement are in every case subject to the provisions of the Direct Lender Agreement.

23.3 Termination by APMC

Subject to the Direct Lender Agreement, APMC may terminate this Agreement by notice to the Processor upon or within a reasonable time after APMC becomes aware of any of the following events:

(a) if the Processor is declared or adjudged a bankrupt, makes a general assignment for the benefit of its creditors, or takes the benefit of any legislation then in force for protection against creditors, orderly payment of debts, or winding up or liquidation;

(b) if the Processor does not replace the operator of the Facility within 30 Days after such operator is declared or adjudged a bankrupt, makes a general assignment for the benefit of its creditors, or takes the benefit of any legislation then in force for protection against creditors, orderly payment of debts, or winding up or liquidation;

(c) if a receiver or receiver-manager is appointed for the business of the Processor (other than by the Lender Agent), unless the appointment is cancelled or stayed within 30 Days;

(d) if any material part of the property of the Processor is seized or attached and such seizure or attachment is not successfully contested by the Processor within 30 Days;

(e) if the Processor ceases active business operations;

(f) if, prior to the Commercial Operation Date, the Processor abandons the Project; which shall be considered to have occurred only in the event of any of the following:

(i) a publicly announced decision by the Processor or either of the partners comprising the Processor to abandon the Project;

(ii) the Processor has otherwise than as set out in subclause (i) overtly abandoned the Project, either through putting major assets up for sale or otherwise; or

(iii) the Processor has not by December 31, 2014 achieved internal approval (of a nature equivalent to Project Sanction) for the Project or a modified version of the Project;

(g) if the Processor fails to obtain Project Sanction by December 31, 2012;

(h) if the Processor fails to achieve the Commercial Operation Date by December 31, 2017;

(i) if the Processor has failed to pay or cause to be paid any amount due to APMC under this Agreement (except to the extent that such amount is being disputed in good faith through the Dispute Resolution Procedure) and does not remedy such failure within

21 Days of APMC providing the Processor with a Notice of Processor Default specifying such failure;

(j) if the Processor has wilfully failed to account for any material amounts of Crown Supply or Optimized Supply or Refined Products or proceeds from the sale thereof, and does not remedy such failure within 90 Days of APMC providing the Processor with a Notice of Processor Default specifying such failure;

(k) if at any time following six Months after the Commercial Operation Date the amount of throughput from the Facility falls below 25% of Design Capacity for six consecutive Months each of which are Months in which there are no scheduled Facility shutdowns; provided that for the purposes of this clause (k) the following Months shall be excluded from "six consecutive Months" as if the following Months did not exist:

(i) any Month in which throughput from the Facility has fallen below 25% of Design Capacity by reason of the unavailability of a major or critical piece of equipment requiring replacement, or the time reasonably required to install such equipment, where the Processor is diligently using reasonable commercial efforts to obtain and install such replacement piece of equipment; and

(ii) any Month, to a maximum of six consecutive Months, in which throughput from the Facility has fallen below 25% of Design Capacity by reason of an official or unofficial strike, lock-out or other labour action, protest or dispute of the employees of the Processor or the operator of the Facility;

(l) if the CNR Processing Agreement is terminated and not replaced by a reasonably equivalent agreement with a reasonably suitable industry participant within 180 Days;

(m) if the Processor, upon receiving a Notice of Processor Default in respect of a Processor Default to which none of (a) through (l) apply, where the specified Processor Default has a Material Adverse Effect on APMC (provided the Notice of Processor Default specifies a Material Adverse Effect), fails to:

(i) cure the Processor Default within 60 Days; or

(ii) where the Processor Default cannot by reasonable commercial efforts be cured within 60 Days, communicate to APMC and initiate within that 60 Day period a commercially reasonable cause of action designed to cure the Processor Default, and thereafter diligently pursue that course of action until the Processor Default is cured; or

(iii) where the Processor Default is an Incurable Default, within 60 Days communicate to APMC and initiate a commercially reasonable course of action designed to mitigate the consequences of the Incurable Default to the maximum extent practicable, and thereafter diligently pursue that course of action until the consequences of the Incurable Default have been so mitigated.

No notice of termination under this Section 23.3 is effective unless it specifies the event or events relied on as entitling APMC to terminate this Agreement.

23.4 Termination by Processor

Subject to the Direct Lender Agreement, the Processor may terminate this Agreement by notice to APMC upon or within a reasonable time after the Processor becomes aware of any of the following events:

(a) APMC has failed to pay or cause to be paid any amount due under this Agreement (except to the extent that the amount is being disputed in good faith by APMC pursuant to the Dispute Resolution Procedure) and does not remedy such failure within 21 Days of the Processor providing APMC with notice to do so; or

(b) APMC has failed to supply a minimum of 37,500 BPD of Bitumen on account of Crown Supply on average over the course of a Year (provided that such minimum shall be 18,750 BPD of Bitumen for a Year in which the Marketing Agreement is terminated and any Year thereafter); or

(c) APMC has purported to assign its rights under this Agreement other than as permitted by Section 27.4 and does not remedy such breach within 60 Days of the Processor providing APMC with notice to do so.

No notice of termination under this Section 23.4 is effective unless it specifies the event or events relied on as entitling the Processor to terminate this Agreement.

23.5 Termination upon Force Majeure

APMC may, by not less than 60 Days notice to the Processor, terminate this Agreement if following the Commercial Operation Date, as a result of one or more Force Majeure Events, no Bitumen can be processed in the Facility and such status persists or is highly likely to persist for at least 24 consecutive Months; provided however that APMC may not terminate this Agreement under this Section 23.5 in any case where the repair or rebuilding of the Facility has commenced and is actively in progress.

23.6 Procedure on Termination

Upon any termination of this Agreement, then for the Month in which the termination takes effect (in this Section 23.6, the "**Termination Month**"), the Parties shall, with a view to minimizing disruption and unnecessary loss of profits, proceed as follows:

(a) the full amount of the Crown Supply shall be delivered for the Termination Month;

(b) the Processor shall proceed with equalization, optimization and processing of the Optimized Supply for the Termination Month, and with marketing of the Refined Products produced therefrom;

(c) the proceeds from the marketing of the Refined Products produced from the Optimized Supply in the Termination Month shall be allocated in accordance with the provisions of this Agreement; and

(d) any annual calculation or annual true-up contemplated by this Agreement shall be calculated as at the end of the Termination Month.

23.7 Payment of Debt Component Beyond Termination

Subject to the terms of any Direct Lender Agreement, upon any termination of this Agreement, and notwithstanding such termination, APMC shall for the next Month following such termination and in every Month thereafter until the end of the Term, be obligated to pay to the trustee of the Trust Agreement the Monthly amount of the Debt Component, calculated as set out in Schedule 10 – Cost of Service Toll; and, except in the case of a termination under Section 17.6(b), APMC shall be entitled to claim against the Processor for reimbursement of all amounts so paid to such trustee; provided that in that event APMC's recourse against assets of the Processor shall be subject to the same recourse limitations as are agreed upon by all of the providers of the Debt Financing as of the closing of the Debt Financing.

23.8 Survival of Obligations

All obligations under this Agreement that necessarily extend beyond termination of this Agreement in order to fully achieve their intended purpose shall survive any termination of this Agreement, including for greater certainty the following:

(a) the obligations in Sections 5.5, 6.6, 23.6 and 23.7;

(b) all indemnification obligations, in relation to events that occurred prior to termination of this Agreement;

(c) obligations under Section 24.5 in respect of confidentiality; and

(d) obligations in respect of the Dispute Resolution Procedure.

24. COMMUNICATIONS

24.1 Notices

Any notice, consent, approval or other communication under any provision of this Agreement must be in writing to be effective, and is effective when delivered by any means, including fax transmission or e-mail, to the following respective addresses:

(a) if to APMC:

Alberta Petroleum Marketing Commission
c/o Alberta Department of Energy
8th fl Petroleum Plaza NT
9945 – 108 Street
Edmonton, AB
T5K 2G6
Attention: Rhonda Wehrhahn, Vice-Chair
fax: 780 422-1123
e-mail: rhonda.wehrhahn@gov.ab.ca

with a copy to:

Alberta Petroleum Marketing Commission
300, 801 – 6 Avenue SW
Calgary, AB
T2P 3W2
Attention: Gale Robins
fax: 403 297-5468
e-mail: gale.robins@gov.ab.ca

(b) if to the Processor:

North West Upgrading Inc.
#2800, 140 – 4th Ave SW
Calgary, AB
T2P 3N3
Attention: Senior Vice-President, Strategy and Corporate Development
fax: 403 539-4501
e-mail: lvadori@northwestupgrading.com

with a copy to:

Canadian Natural Upgrading Limited
2500, 855 2nd Street SW
Calgary, AB
T2P 4J8
Attention: Senior Vice-President, Marketing
fax: 403 517-7364
e-mail: real.cusson@cnrl.com

Either Party may change its address information by giving notice to the other Party in the above manner.

The onus shall be on a Party asserting delivery of a notice, consent, approval or other communication to establish that it was delivered in accordance with the foregoing, provided that in the case of e-mail, such onus shall be discharged by proof that an e-mail sent to the designated e-mail address was received and opened at that e-mail address.

24.2 Authority to Give Notices

The Parties respectively designate for the time being the following individuals as having authority to communicate to the other any notice, approval, consent, waiver or other communication under this Agreement:

(a) in the case of APMC: Rhonda Wehrhahn, Vice-Chair;

(b) in the case of the Processor: Larry Vadori and Réal Cusson (or either of them).

In the absence of any further designation or limitation communicated with reference to this Section 24.2, each Party may assume that any notice, approval, consent, waiver or other communication under this Agreement given by the above individual has been duly authorized and is binding upon the Party providing the communication.

This Section 24.2 is not intended to and does not confer authority to agree to any amendment of this Agreement.

24.3 Public Announcements

Subject to Section 24.4, and except as required by Applicable Laws or by any regulatory authorities, including without limitation any pertinent securities commission or other securities regulatory authority or the rules of any stock exchange, or as part of any other financial disclosure obligations, the Processor shall not make, and shall not cause or permit any entity not at Arm's-Length to the Processor to make, any public announcement relating to this Agreement except as approved in advance by APMC, acting reasonably.

APMC shall, in advance of any public announcement by APMC or the Government of Alberta relating to this Agreement, provide to the Processor for review and comment, prior to such announcement being made, an information package detailing the extent of the information to be included in the announcement.

24.4 Public Disclosure of Agreement

Either Party shall be at liberty to make public disclosure of the provisions of this Agreement, provided that such disclosure shall not include the following:

(a) the following Schedules:

Schedule 3 – Debt Financing Plan;

Schedule 7 – Feedstock Valuation;

Schedule 9 – Performance Benchmarks - Marketing of Refined Products;

Schedule 11 – Insurance; and

Schedule 13 – Example Calculations;

(b) documents referred to in section 2.6 of Schedule 1 – Description of the Facility;

(c) dollar amounts in section 7(a) of Schedule 10 – Cost of Service Schedule; and

(d) Attachments 2 and 3 to Schedule 10 – Cost of Service Schedule;

and the Parties acknowledge and agree that the above listed Schedules and documents in their entirety constitute confidential financial or business information the disclosure of which would be likely to cause them or third parties financial harm.

24.5 Confidential Information

All business and financial information delivered pursuant to or directly in relation to this Agreement by either Party to the other (in this Section 24.5, collectively the "**Confidential Information**"), shall be received in confidence and treated as confidential. Neither Party shall disclose Confidential Information delivered by the other Party except:

(a) to such of its officers, employees, consultants, advisors and contractors (and, in the case of the Processor, ratings agencies, surety companies and other prospective guarantors, investors or potential investors (whether the investment is directly in the Processor or in any partner comprising the Processor or in any shareholder of any such partner), and lenders or potential lenders, and the respective agents, consultants and advisors of any of the foregoing) who reasonably require access to the Confidential Information in furtherance of the Project or the Debt Financing or the carrying out of this Agreement or to verify compliance with this Agreement, in any such case subject to the same obligation of confidentiality;

(b) by the Processor to any controlling (whether directly or indirectly) shareholder of any partner comprising the Processor, subject to the same obligation of confidentiality;

(c) by APMC to the Department of Energy of the Government of Alberta, subject to the same obligation of confidentiality;

(d) as required by the *Freedom of Information and Protection of Privacy Act* (Alberta) or any other Applicable Laws;

(e) as required for financial reporting purposes or to comply with the rules of any stock exchange or to any taxation authority having jurisdiction; or

(f) where the disclosure is consented to by the other Party.

Notwithstanding the foregoing, this Section 24.5 shall have no application to information that at the time of delivery was in the public domain or subsequently became part of the public domain other than through a breach of this Section 24.5, or was in the possession of the receiving Party at the time of delivery to it by the other Party, as demonstrated by written records; nor shall this Section 24.5 apply to information that the disclosing Party has specifically and expressly acknowledged as not being or no longer being confidential.

Notwithstanding the above definition of Confidential Information, the Schedules listed in Section 24.4(a) and the documents referred to in Section 24.4(b) shall be deemed to be Confidential Information disclosed by each Party to the other.

25. CONTRACT ADMINISTRATION

25.1 Contract Administration Representative

Each of APMC and the Processor shall from time to time designate a representative or representatives (the "**Contract Administration Representatives**") to maintain an ongoing liaison in regard to and keep under review the administration of this Agreement.

Unless and until designated otherwise by notice to the other, APMC and the Processor shall be considered to have designated the following individuals as their respective Contract Administration Representatives:

APMC: Gale Robins;

the Processor: Larry Vadori and Réal Cusson, or either of them.

In the absence of any limitation communicated by either Party to the other, the respective Contract Administration Representatives shall have authority to do any of the following:

(a) agree upon amendments to any of Schedules 1, 3, 6, 7, 8, 9, 11 and 13;

(b) agree to establish or amend Operating Protocols contemplated by Section 25.2; and

(c) establish lines of communication additional to those expressly contemplated by this Agreement, designed to facilitate the effective, efficient and cooperative administration of this Agreement and avoidance of disputes.

25.2 Operating Protocols

The Parties, through their respective Contract Administration Representatives, may from time to time agree upon operating protocols, procedures, practices or guidelines ("**Operating**

Protocols"), not inconsistent with the provisions of this Agreement, for the purpose of facilitating administration of this Agreement.

26. DISPUTE RESOLUTION

26.1 Dispute Resolution Procedure

Unless otherwise agreed to in writing between APMC and the Processor, all disputes in respect of the application or interpretation or alleged breach of any provision of this Agreement (including all disputes expressly referred to the Dispute Resolution Procedure) shall be determined in accordance with the Dispute Resolution Procedure as set out in Schedule 12. Either Party may at any time by notice to the other refer any question in respect of the application or interpretation of any provision of this Agreement to the Dispute Resolution Procedure. The right to refer disagreements to the Dispute Resolution Procedure shall not be limited to provisions of this Agreement that expressly refer to the Dispute Resolution Procedure, and any such express provisions shall be construed as having been included only for greater certainty.

26.2 Exception

Where under the provisions of this Agreement a Party has an unfettered discretion to exercise a right or take an action, the decision of that Party to exercise the right or take the action is not subject to review under the Dispute Resolution Procedure; but where any decision or discretion is expressly required to be made or exercised reasonably (or is otherwise qualified), then the reasonableness (or other qualification) of the decision made or the discretion exercised may be referred to the Dispute Resolution Procedure for determination.

26.3 Termination and Dispute Resolution Procedure

A Party may refer to the Dispute Resolution Procedure for determination the question of whether it has grounds for terminating this Agreement under any provision of this Agreement. However, the submission of that question to the Dispute Resolution Procedure shall not prevent either Party from terminating this Agreement in accordance with its provisions prior to determination of that question by the Dispute Resolution Procedure. If either Party has purported to terminate this Agreement in accordance with its provisions, the other Party may submit to the Dispute Resolution Procedure the question of whether such termination was made in accordance with this Agreement, and request either:

(a) a ruling that this Agreement has not been terminated; or

(b) an award of damages for wrongful repudiation of this Agreement.

If neither Party has purported to terminate this Agreement and the question of whether an APMC Default or a Processor Default (in each case as defined in Section 22.1) has occurred is being disputed through the Dispute Resolution Procedure, then the arbitrator or panel of arbitrators constituted pursuant to the Dispute Resolution Procedure shall, upon determining that the alleged

APMC Default or Processor Default (as the case may be) has occurred, allow such further cure period (notwithstanding Sections 23.3 and 23.4), if any, as the arbitrator or panel of arbitrators considers reasonable and appropriate in all the circumstances, including whether in the opinion of the arbitrator or panel of arbitrators the allegation of the APMC Default or Processor Default was or was not disputed in good faith; provided that while such question of whether an APMC Default or a Processor Default has occurred is being disputed through the Dispute Resolution Procedure, neither Party shall have any right to terminate this Agreement by reason of such alleged APMC Default or Processor Default pending the determination of that question through the Dispute Resolution Procedure.

26.4 No Court Proceedings

Neither Party shall, except as permitted by the *Arbitration Act* (Alberta) or with the prior approval of the other, initiate in any court of law any proceedings against the other in respect of the application or interpretation or any alleged breach of any provision of this Agreement; provided that nothing in this Section 26.4 shall prevent either Party from bringing any claim for contribution or indemnity in the same court of law in which a claim against the Party by any third person (except, in the case of a claim against the Processor, where the claim is by CNUL or CNR or NWU or an assignee of their respective interests in relation to the Facility or this Agreement); and provided that nothing in this Section 26.4 shall prevent either Party from seeking from a court of law interim, interlocutory or preliminary injunctive relief, unless an arbitrator has been appointed by the Parties with authority to grant interim, interlocutory or preliminary injunctive relief.

26.5 Payments where Amounts in Dispute

Where the amount of any payment required to be made under this Agreement is in dispute, the Party required to make the payment shall pay such portion of the payment as it does not dispute in good faith.

27. GENERAL PROVISIONS

27.1 Assignment by Processor

The Processor may not, without the prior consent of APMC, which consent shall not be unreasonably withheld, assign this Agreement or any right or benefit under this Agreement, except that the Processor may assign to a party to the Direct Lender Agreement or to CNRL the right to receive the payments required to be made to the Processor under this Agreement, in which case APMC will consent to the assignment as required by section 95 of the *Financial Administration Act* (Alberta). Nothing in this Agreement restricts the Processor from granting security interests (including any security interest that is nominally structured as an "assignment" but is in essence a security agreement) in its assets as it sees fit.

For greater certainty, APMC shall not withhold or delay its consent under this Section 27.1 where the Processor has satisfied APMC, acting reasonably, that the proposed assignee is of good reputation and has suitable technical, commercial and financial resources available to it.

27.2 Subcontracting by Processor

The Processor shall not subcontract its obligation to carry out the Project or its obligations to optimize Feedstock for the Facility, process the Optimized Supply, and market the Refined Products; provided that the Processor may, in the course of carrying out its obligations under this Agreement, subcontract with consultants and other service providers for services to support the Processor in carrying out specific obligations under this Agreement, provided the Processor retains overall direction, oversight and management of and responsibility for all aspects of such obligations.

27.3 Change of Control

Subject to the next following paragraph, the Processor shall not allow or suffer any material change in control (determined on the basis of voting equity ownership) of the Processor or a change of control (similarly determined) of the corporate partners comprising the Processor, unless such change has been consented to in advance by APMC, such consent not to be unreasonably withheld or delayed. For greater certainty, APMC shall not withhold or delay its consent where the Processor has satisfied APMC, acting reasonably, that the proposed owner is of good reputation and has, or is in a position to retain, suitable technical, commercial and financial resources available to it.

The following shall not be considered to be a change of control that is subject to this Section 27.3:

(a) internal reorganizations that do not have the effect of changing the ultimate ownership of the Processor or the partners that comprise the Processor;

(b) the trading of publicly traded securities of an entity that directly or indirectly holds an interest in the Processor;

(c) change in control of Canadian Natural Resources Limited;

(d) the issuance of equity, publicly or otherwise, by the Processor or a corporate partner or its direct or indirect parent, that does not result in a change in the management or day-to-day control of such partner or parent; and

(e) the acquisition, directly or indirectly, by one of the partners (or its affiliate) comprising the Processor of the partnership interest of another of such partners.

27.4 Assignment by APMC

APMC may not, without the prior consent of the Processor, which consent shall not be unreasonably withheld, assign this Agreement or any right or benefit under this Agreement. For greater certainty, the Processor shall not withhold or delay its consent where APMC has satisfied the Processor, acting reasonably, that the assignee is reputable and that the Government of

Alberta continues to be legally responsible for all obligations stated as obligations of APMC in this Agreement, in the same manner and to the same extent as the Government of Alberta is legally responsible for the obligations of APMC under this Agreement. Notwithstanding any such assignment by APMC pursuant to a consent by the Processor, the Government of Alberta shall continue to be legally responsible for all obligations stated as obligations of APMC under this Agreement.

27.5 Applicable Law and Jurisdiction

This Agreement shall be governed by the laws in force in Alberta, including the federal laws of Canada applicable therein. Subject to Section 26.4, courts having general jurisdiction in the Province of Alberta shall have exclusive jurisdiction over all matters arising in relation to this Agreement, and each Party accepts the jurisdiction of such courts.

27.6 Amendment and Waiver

No amendment of this Agreement (other than Schedule 2, which may be amended by the Processor in accordance with Section 4.4, and Schedule 8, to the extent that it may be amended by the Processor in accordance with Section 8.2(d)) is effective unless made in writing and signed by a duly authorized representative of each of the Parties. No waiver of any provision of this Agreement is effective unless made in writing, and any such waiver has effect only in respect of the particular provision or circumstances stated in the waiver. No representation by either Party with respect to the performance of any obligation under this Agreement is capable of giving rise to an estoppel unless the representation is made in writing.

27.7 Further Assurances

The Parties each agree to from time to time do all such acts and provide such further assurances and instruments as may reasonably be required in order to carry out the provisions of this Agreement according to their true spirit and intent; but this Section 27.7 shall not in any event be construed as obligating APMC to arrange for the amendment or enactment of any statute or regulation.

27.8 Counterpart Execution

This Agreement may be executed in counterparts, in which case (i) the counterparts together shall constitute one agreement, and (ii) communication of execution by fax transmission or by e-mailed PDF shall constitute good delivery.

The Parties have therefore signed this Agreement, each by their respective duly authorized officers, on the respective dates shown below.

ALBERTA PETROLEUM MARKETING COMMISSION

Date: February ___, 2011

Per: [original signed by]
C. Peter Watson
Chair

NORTH WEST REDWATER PARTNERSHIP,
by its general partners:

NORTH WEST UPGRADING INC.

Date: February ___, 2011

Per: [original signed by]
Ian MacGregor
Chairman

Per: [original signed by]
Douglas P. Quinn
President

CANADIAN NATURAL UPGRADING LIMITED

Date: February ___, 2011

Per: [original signed by]
Steve Laut
President

Per: [original signed by]
Réal Cusson
Senior Vice-President